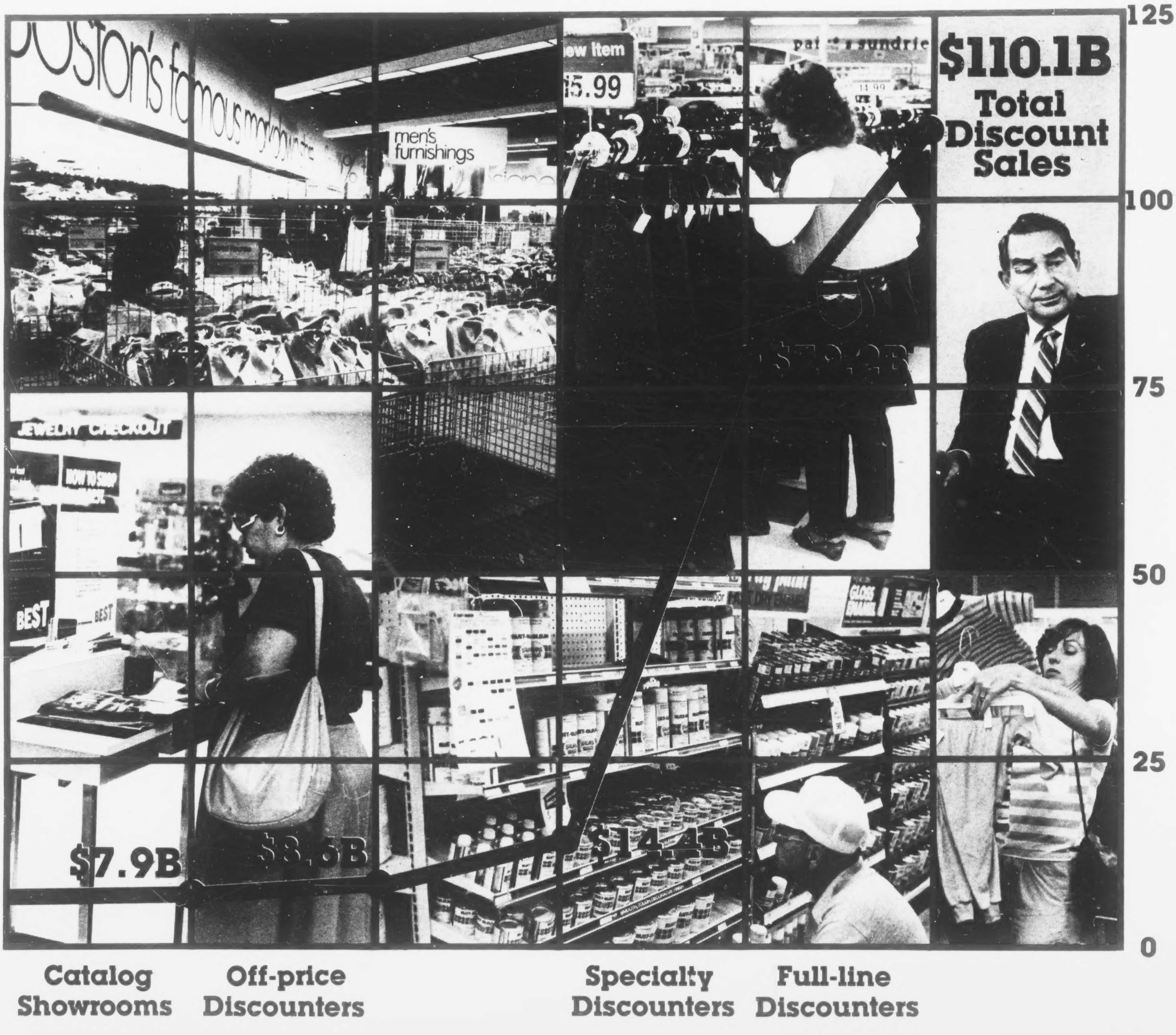
Discount Store News®
THE NEWSPAPER OF DISCOUNT RETAILING

1984-85 DISCOUNT STORE CENSUS



Nationwide DSN Report

This year, general merchandise discount retailing in the United States is expected to cross the $110 billion mark.

According to *DSN*'s annual census of the discount industry, full-line discounters will produce more than $79 billion in sales by the end of this year; catalog showrooms will account for nearly another $8 billion and specialty discount chains will generate $23 billion in volume.

Off-price apparel retailers will account for 37% or $8.6 billion of the specialty discounter volume.

That the big companies continue to get bigger is one of the most significant aspects of this census.

The top 10 discount chains, including K mart, Wal-Mart, Best Products, Service Merchandise and Toys "R" Us, account for nearly 35% of the entire discount industry's total volume.

The top 25 chains account for nearly half of total industry volume.

The top three catalogers—Best, Service and H. J. Wilson—account for 50% of that industry (see chart p. 36).

And, among specialty discounters, one or two chains clearly dominate each merchandise segment: Marshalls, for example, generates 35% of the volume done by the top 10 off-pricers; Toys "R" Us nearly 56% of the toy discounters' volume (and 12.5% of United States toy sales); top-ranked sporting goods discounter Oshman's 35% of that discounting segment's sales; Western Auto, with more than 2,500 franchised and company-owned units, 34% of all discount auto chain sales, and among discount consumer electronics chains, Circuit City (Wards) has a 22% share of the volume generated by the top 10 chains in that heavily independent operator-dominated field.

In the merchandise categories, the annual census shows the increasingly important role the soft goods categories are playing in discount stores.

This year, soft lines will account for nearly a third of the industry's total volume. Of that, women's wear departments—in all market segments—will total almost $20 billion.

For full-line discounters, women's wear volume, the largest contributor of all discounter departments, is expected to reach $14.3 billion, up from $13.3 billion in 1983. The increase reflects full-liners' upgrading of departments' presentations and merchandise assortment.

The census also spotlights chain regional growth patterns (see p. 21).

Discounters' growth plans show them being both constant to their roots and in tune with shifting population/growth patterns: The markets of the mid-Atlantic and East Central States, the cradle of discounting, continue to figure prominently in discounters' expansion plans as does the Southeast.

By year's end, these three geographic areas will account for more than half of the net selling space of all discount retailers.

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CENSUS '84/'85

The Discount Industry's Top 100 Chains

Rank	Chain (HQ state in parentheses)	Volume in Millions		Net Earnings (Loss) in Millions		No. of Stores			Net Selling Space (Sq. Ft.) (Add 000)		
		General Merchandise Last Fiscal Yr.	General Merchandise Prev. Fiscal Yr.	Last Fiscal Yr.	Prev. Fiscal Yr.	1/84	12/84	To Be Added, 1985	1/84	12/84	To Be Added, 1985
1	K mart (Mich.)	$18,758[A]	$16,911	$492.3	$261.8	2,160	2,188	—	123,000	125,500	—
2	Wal-Mart (Ark.)	4,744	3,448	196.2	124.1	642	747	105	32,100	37,350	5,250
3	Target (Minn.)	3,118	2,412	176.8**	150.1**	205	217	—	20,062	21,210	—
4	Gemco (Calif.)	2,135	2,114	47.5**	36.9**	76	79	—	8,715	8,690	—
5	Best Products (Va.)	2,081	1,582[O]	37.1	28.8	196	204	10	5,880	6,120	300
6	Zayre (Mass.)	1,902	1,616	90.8**	55.1**	275	288	15	15,246	15,967	832
7	T.G. & Y. (Okla.)	1,750	1,805	—	—	517	503	—	19,460	18,932	—
8	Service Merchandise (Tenn.)	1,458	1,195	44.9	31.6	158	175	20	3,160	3,500	400
9	Toys "R" Us (N.J.)	1,320	1,042	92.3	64.2	169	199	—	4,400	5,200	—
10	Bradlees (Mass.)	1,183[B]	872	80.5**	50.5**	127	132	—	8,882	9,238	—
11	Caldor (Conn.)	1,100	925	—	—	95	103	—	8,455	9,785	—
12	Marshalls (Mass.)	1,061	830	—	—	174	210	—	4,176	5,040	—
13	Hills (Mass.)	1,026	892	83.1**	71.2**	116	123	—	9,280	9,840	—
14	Meijer (Mich.)	933*	848*	—	—	49	51	—	5,930[C]	6,172[C]	—
15	Fred Meyer (Ore.)	875*	730*	—	—	62	62	—	4,844	4,844	—
16	Roses (N.C.)	829[D]	662	21.9	11.6	189	194	—	7,380	7,600	—
17	Venture (Mo.)	794	680	43.6**	30.0**	51	57	8	4,080	4,560	640
18	Pay Less (Ore.)	682	628	24.7	19.4	149	159	10	3,580	3,820	240
19	Ames (Conn.)	647[E]	423	19.9	12.4	168	183	20	6,945	7,598	774
20	Price Club (Calif.)	633[F]	371	14.7	7.9	12	19	—	1,200	1,900	—
21	Gold Circle (Ohio)	590	501	39.5[R]	5.4[R]	51	51	—	3,927	3,927	—
22	Murphy's Mart (Pa.)	589[B]	531	—	—	118	119	6	5,729	5,786	260
23	Western Auto (Mo.)	560	519	15.5	12.6	2,556	2,596	—	1,512[G]	1,512[G]	—
24	Cook United (Ohio)	555	602	(66.9)**	(3.6)**	94	53	—	5,300	3,020	—
25	Fedco (Calif.)	535	457	—	—	8	8	—	600	675[H]	—
26	H. J. Wilson (La.)	514	458	8.8	5.6	79	79	5	2,370	2,370	150
27	Alexander's (N.Y.)	511[I]	507	4.6	3.2	15	15	—	3,743[C]	3,743[C]	—
28	Jefferson Ward (Fla.)	500	510	—	—	48	44	—	3,991	3,588	—
29	ShopKo (Wis.)	475	390	30.6**	24.9**	39	50	10	2,538	3,174	635
30	T. J. Maxx (Mass.)	475*	350*	54.8[S]	46.9[S]	118	118	35	2,773	2,773	823
31	Jamesway (N.J.)	433	345	11.5	6.8	78	84	7	4,539	4,880	406
32	Pamida (Neb.)	410	361	14.9	10.5	162	170	10	3,482	3,700	300
33	Richway (Ga.)	401	322	39.5[R]	5.4[R]	31	31	5	2,300	2,300	371
34	Heck's (W. Va.)	381	356	22.4**	19.5**	122	128	6	4,475	4,734	222
35	Consumers Distributing (N.J.)	370[J]	309[J]	(0.5)**	3.8**	134	161	25	335	403	63
36	Child World (Mass.)	360	283	—	—	90	104	—	2,250	2,600	—
37	Circuit City (Wards) (Va.)	357	303	12.0	5.5	98	113	—	357	495	—
38	Howard Bros. (La.)	340[K]	334	—	—	104	106	—	4,248	4,330	—
39	Value City (Ohio)	334*	367*	—	—	34	35	1	2,070	2,125	55
40	Zodys (Calif.)	333[K]	380	—	—	42	41	0	2,520	2,440	0
41	Pep Boys (Pa.)	306	265	15.5	12.2	124	140	—	2,480	2,800	—
42	ALCO (Kan.)	306[L]	203	8.6	4.3	121	127	16	3,700	4,000	480
43	Loehmann's (N.Y.)	285*	260	—	—	66	76	—	990	1,140	—
44	Oshman's (Tex.)	283	247	10.3	7.1	186	205	—	1,860	2,050	—
45	Kay Bee (Mass.)	281	183	—	—	456	516	—	1,596	1,806	—
46	Carlson Cos. (Iowa)	279*	306*	—	—	62	67	7	1,500	1,675	175
47	Silo (Pa.)	275	184	—	—	72	107	—	648	963	—
48	Highland (Mich.)	270	160	—	—	25	31	—	460	560	—
49	S. E. Nichols (N.Y.)	266	247	6.8	2.5	42	44	—	3,169	3,320	—
50	TSS-Seedman's (N.Y.)	255*	235*	—	—	18	18	0	1,469	1,469	0
51	Lucky Auto Div. (Ariz.)	250*	225*	—	—	439	486	—	1,681	1,885	—
52	Hit or Miss (Mass.)	236*	174*	54.8[S]	46.9[S]	375	375	45	1,425	1,425	171
53	Pic 'N Save	227	177	36.5	27.0	85	90	5	1,275	1,350	75
54	Lechmere (Mass.)	227	188	—	—	6	7	2	790	890	254
55	Grand Central (Utah)	224[I]	230	(1.7)	(3.0)	32	32	—	2,021	2,021	—
56	Burlington Coat (N.J.)	220	131	12.0	6.9	51	72	—	2,142	3,024	—
57	Fishers Big Wheel	215	193	—	—	67	73	6	2,412	2,628	216
58	Pic-A-Dilly/It's-A-Dilly (Calif.)	212*	206*	—	—	253	265	—	961	1,007	—
59	Bi-Mart (Ore.)	207	187	—	—	32	33	2	960	990	54
60	Clover (Pa.)	205*	180*	—	—	18	19	0	1,170	1,231	0
61	Ann & Hope (R.I.)	205*	185*	—	—	6	6	—	900	900	—
62	Lionel Leisure (Pa.)	198[K]	178	2.0	1.6	53	53	1	1,325	1,325	50
63	Syms (N.Y.)	179	147	10.3	7.5	11	14	—	421	561	—
64	Pacific Stereo (Calif.)	170*	153*	—	—	82	87	—	385	410	—
65	Makro (Ohio)	162	118	—	—	4	4	—	700	700	—
66	Gee Bee (Pa.)	155	137	9.8**	7.1**	19	21	—	1,501	1,659	—
67	Filene's Basement (Mass.)	151	119	—	—	14	14	—	490	490	—
68	Big 5 (Calif.)	150*	125*	—	—	70	70	—	700	700	—
69	Harts (Ohio)	146[B,I]	139	—	—	27	27	—	1,302	1,302	—
70	L. Luria & Son (Fla.)	145[P]	124	—	5.6	30	34	4	300	340	40
71	Danners (Ind.)	143	138	(0.9)	0.4	35	35	1	1,488	1,488	43
72	Gordon Jewelers (Tex.)	142	142	14.9**	16.3**	49	57	5	625	727	64
73	Grand Auto (Calif.)	140	122	5.1	3.5	84	84	—	756	756	—
74	Crazy Eddie (N.Y.)	140*[P]	111	—	1.0	13	15	3	69	79	16
75	The Federated Group (Calif.)	138	89	6.1	1.0	20	28	—	463	621	—
76	W. Bell (Md.)	138*[P]	125	—	2.7	18	18	2	180	180	20
77	Quality Stores (Mich.)	134	113	—	—	39	39	5	795	801	100
78	Rich's (Mass.)	130	105	—	—	15	16	2	1,000	1,075	125
79	Gaylords (N.J.)	123[M]	115	1.1	0.8	32	34	4	1,920	2,030	220
80	Jewelcor (Pa.)	121	121	7.5**	6.7**	24	25	1	420	438	18
81	Prange Way (Wis.)	120	113	—	—	18	20	1	1,133	1,265	40
82	Sky City (N.C.)	115*	105*	—	—	73	73	—	2,555	2,555	—
83	Smitty's (Ariz.)	115[I]	103	—	—	20	20	2	1,600	1,600	—
84	Modell's (N.Y.)	107	93	—	—	6	6	1	675	675	90
85	McDade & Co. (Ill.)	105*	100*	—	—	7	8	—	280	320	—
86	Newmark & Lewis (N.Y.)	100	65	—	—	24	27	—	240	270	—
87	Al International (N.Y.)	100[N]	35	—	—	85	175	—	281	578	—
88	Luskin's (Md.)	95*	82*	—	—	23	23	—	214	214	—
89	Sunset Sports (Utah)	95*	90*	—	—	38	38	2	456	456	24
90	Nationwise (Ohio)	92*	80*	—	—	135	150	—	405	450	—
91	Swallens (Ohio)	92	80	0.6	0.2	7	8	2	581	591	60
92	Sportmart (Ill.)	90*	68*	—	—	11	11	—	450	450	—
93	T. H. Mandy (Va.)	84	77	—	—	16	18	—	192	216	—
94	J. W. Mays (N.Y.)	82[I,K]	129	(0.5)	(12.0)	4	4	0	1,060	1,060	—
95	Ross Stores (Calif.)	80	15	—	—	26	51	30	780	1,530	900
96	Brendles (N.C.)	80	75	—	—	19	20	2	665	700	70
97	Sterling Jewelers (Tex.)	78*	75*	—	—	5	5	0	130	130	0
98	David Weis (Pa.)	75*	70*	—	—	11	11	2	330	330	60
99	Whitlock (N.Y.)	75*	65*	—	—	74	84	—	592	672	—
100	G.I. Joe (Ore.)	75	70	1.0	0.8	8	9	0	350	400	0

*DSN estimate. **Operating income. [A] Includes United States and Canadian K marts; earnings for the entire corporation. [B] Excludes leased departments. [C] Gross square footage. [D] Includes $34 million from sale of 53 variety stores. [E] Includes sales from 42 King's stores. [F] For fiscal year ended 8/83. [G] Average selling space for 216 company-owned stores only. [H] Relocated one unit. [I] For fiscal year ended 7/83. [J] United States stores only. [K] Operated in Chapter 11. [L] Includes sales from 48 Magic Marts. [M] Excludes sales from Tower Catalog showrooms. [N] Includes sales from Automotive Warehouse Inc. and Borden Aicklen Auto Supply. [P] Fiscal year ended at presstime; figures not available. [O] Includes partial year sales from Basco and Modern Merchandising acquisitions. [R] Operating income Federated Dept. Stores' mass merchandising division. [S] Operating income Zayre's specialty store division.

Source: DSN Research

Full-line Discounters' Sales Keep Rising

YEAR	TOTAL SALES IN BILLIONS	TOTAL STORES	NET GAIN (LOSS) OF STORES	TOTAL SQ. FT. IN MILLIONS	DOLLARS PER SQ. FT.	AVG. SALES PER STORE IN MILLIONS	AVG. STORE SIZE IN THOUSANDS OF SQ. FT.
1984	$79.20*	8,109	(108)	604	$131.19*	$9.76*	74.44
1983	73.30*	8,217	(65)	579	126.51*	8.92*	70.51
1982	66.60*	8,282	118	584	114.05*	8.04*	70.50
1981	66.60	8,164	428	576	115.58	8.15	70.58
1980	60.50	7,736	470	546	110.79	7.82	70.60
1979	55.00	7,266	375	513	107.15	7.57	70.60
1978	50.00	6,891	353	490	101.95	7.26	71.11
1977	47.00	6,538	396	468	100.00	7.19	71.58
1976	44.00	6,142	606	442	99.00	7.16	71.96
1975	38.00	5,536	126	399	95.00	6.86	72.07
1974 (a)	34.40	5,410	448	389	88.00	6.40	71.90
1973	31.50	4,962	248	350	88.32	6.27	70.54
1972	28.15	4,720	376	344	81.83	5.96	72.88
1971	25.60	4,344	333	306	83.66	5.89	70.44
1970	22.50	4,011	398	276	81.52	5.61	68.81
1969	18.44	3,613	306	244	75.57	5.10	67.53
1968	16.35	3,307	302	222	73.64	4.94	67.13
1967	13.61	3,005	321	199	68.39	4.53	66.22
1966	11.51	2,684	236	171	67.30	4.29	63.71
1965	9.82	2,448	219	151	65.00	4.01	61.68
1964	8.46	2,229	60	136	62.20	3.79	61.01
1963	7.51	2,169	144	122	61.55	3.46	56.25
1962	6.00	2,025	—	107	56.00	2.96	52.84

Doesn't include sales from discounter supermarkets. (a) Reflects 18-month period ended Dec. 31, 1974.

(Source: DSN Research)

With economic recovery in most of the nation continuing, the discount department store industry continues to strengthen even as consolidation in the number of chains and stores takes place.

The net loss in the number of stores in operation accelerated this year, with total store count projected to decline 108 to 8,109. However, the industry's sales will rise to an estimated $79.2 billion, an 8% increase over the healthy gains recorded in 1983.

Sales per store will rise at a higher rate—by 9.4% to a projected $9.76 million industry average. Significantly, for the first time in many years the average store size also is projected to increase substantially.

After almost steadily declining growth in size to the mid-1970's, full-line discounters reported larger store sizes on average this year, as chains opted for larger, existing units rather than undertaking their own construction.

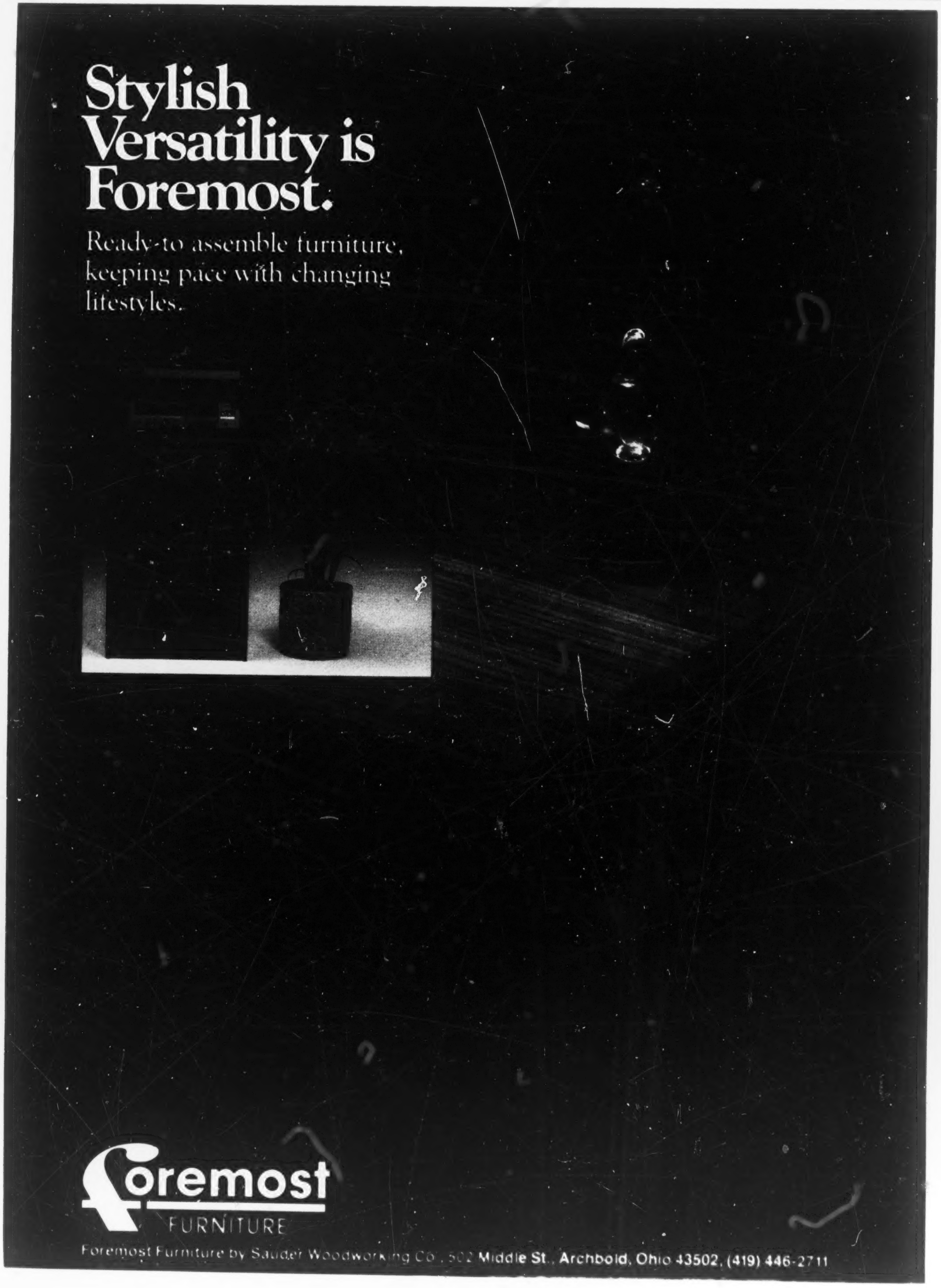
One of the most productive merchandise categories for discounters continues to be ladies' apparel. Industry sales will rise $1 billion to $14.3 billion in 1984, with average sales per square foot estimated to reach $176.35.

Even greater percentage increases are projected for men's and boys' wear where the total sales in discount stores are projected to reach $8.2 billion, a 10.8% increase.

Brand names helped fuel not only apparel sales gains but continued the momentum of health and beauty aids and housewares, two other key traffic and image departments for discounters.

Consumers are expected to spend an additional $400 million on H&BA products in discount stores this year to bring total sales to $5.6 billion. In housewares, a fashion emphasis and higher price point acceptance by consumers will also result in a $400 million gain for discounters. Total industry volume on housewares is anticipated to reach $6.3 billion.

Chains nationally are buoyed by the apparent return of consumer confidence, as evidenced in the acceptance of record price points in many departments, especially leisure-related products or merchandise with a trendy, fashion image.



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CENSUS '84/'85

Southeast No. 1 With 22% Of Total Discount Footage

Region	Proj. No. Stores All Discounters 12/84	% of Total	Proj. Net Selling Sq. Footage All Discounters (add 000) 12/84	% of Total
SOUTHEAST Ala., Fla., Ga., Ky., Miss., N.C., S.C., Tenn., Va., W. Va.	4,695	20.9	176,724	22.0
EAST CENTRAL Ill., Ind., Mich., Ohio, Wis.	3,504	15.6	142,333	17.7
SOUTHWEST Ariz., Ark., La., N.M., Okla., Tex.	3,073	13.7	119,161	14.8
MIDDLE ATLANTIC D.C., Del., Md., N.J., N.Y., Pa.	3,728	16.6	123,523	15.4
WEST CENTRAL Iowa, Kan., Minn., Mo., Neb., N.D., S.D.	1,872	8.3	72,738	9.1
PACIFIC Alaska, Calif., Hawaii, Ore., Wash.	2,191	9.8	72,717	9.0
NEW ENGLAND Conn., Me., Mass., N.H., R.I., Vt.	2,309	10.3	66,266	8.3
MOUNTAIN Colo., Idaho, Mont., Nev., Utah, Wyo.	1,071	4.8	29,360	3.7
TOTAL	22,443	100.0	802,822	100.0

Source: DSN research

Nationwide DSN Report

Leading regions for total discount retail space are the Southeast, Middle Atlantic and East Central parts of the country.

Together, these areas account for 53.1% of net selling square footage among all discounters in 1984—including full-liners, catalogers, off-pricers and specialty toy, sporting goods, automotive and consumer electronics chains.

Concentration in these parts of the United States—where 26 of the nation's top 50 metro markets are located—reflects the pursuit of densely populated areas by most specialty chains.

Discount department stores have long established fronts in these regions, though in largely suburban and rural areas. Younger specialty discounters—which already account for more than half the nation's total of discount outlets—continue to rapidly fill in dense target areas left unfilled by fill-liners.

The Southeast commands the country's greatest amount of retail discount space with 22% of footage, or a total of 176,724 sq. ft.

The region's store count of 4,695 is also the highest, and accounts for 20.9% of the total industry.

In the Middle Atlantic region, 3,728 stores make up 16.6% of the industry total, though its footage accounts for a slightly lower 15.4% share of the nation's discount retail selling space.

The East Central region ranks third in store count, with 3,504 units or 15.6% of the the industry total, but second in total footage. Its 142,333 sq. ft. of discount space translates into a 17.7% share of the industry.

In the nation's second Sunbelt region, the Southwest, 3,073 discount outlets represent 13.7% of the industry. Its 119,161 sq. ft. of net selling space achieves a slightly higher 14.8% share.

The New England region also accounts for a double digit share of store count, at 10.3%, though its footage contribution is weaker at 8.3%.

Discounter penetration is less in the West Central, Pacific and Mountain parts of the country.

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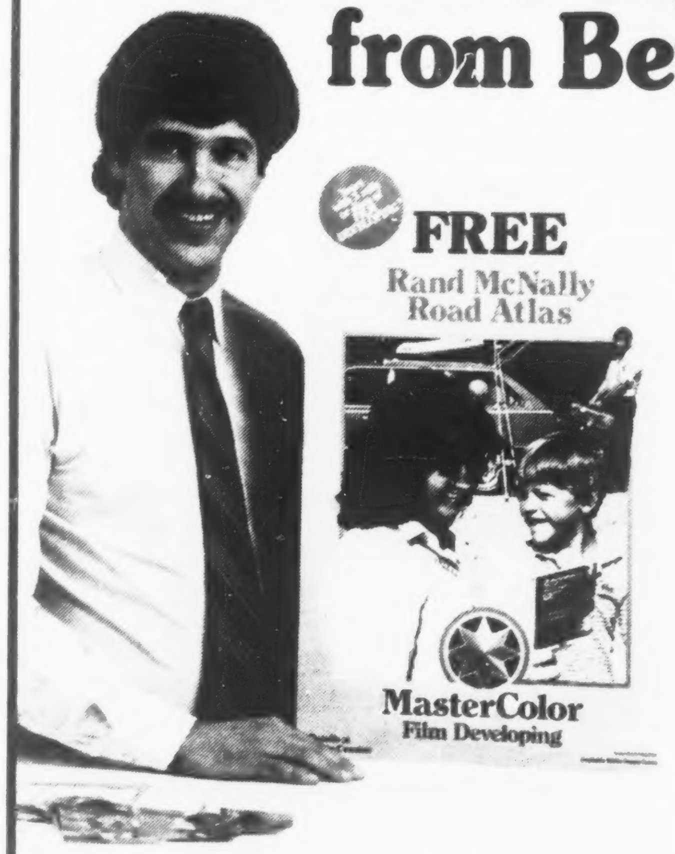

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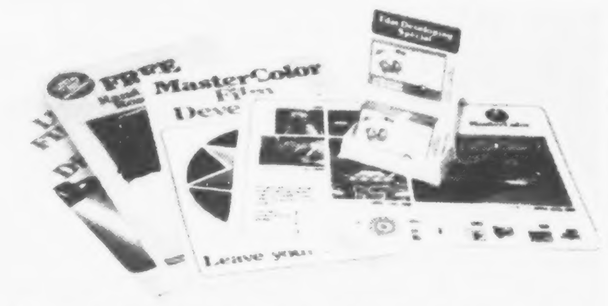

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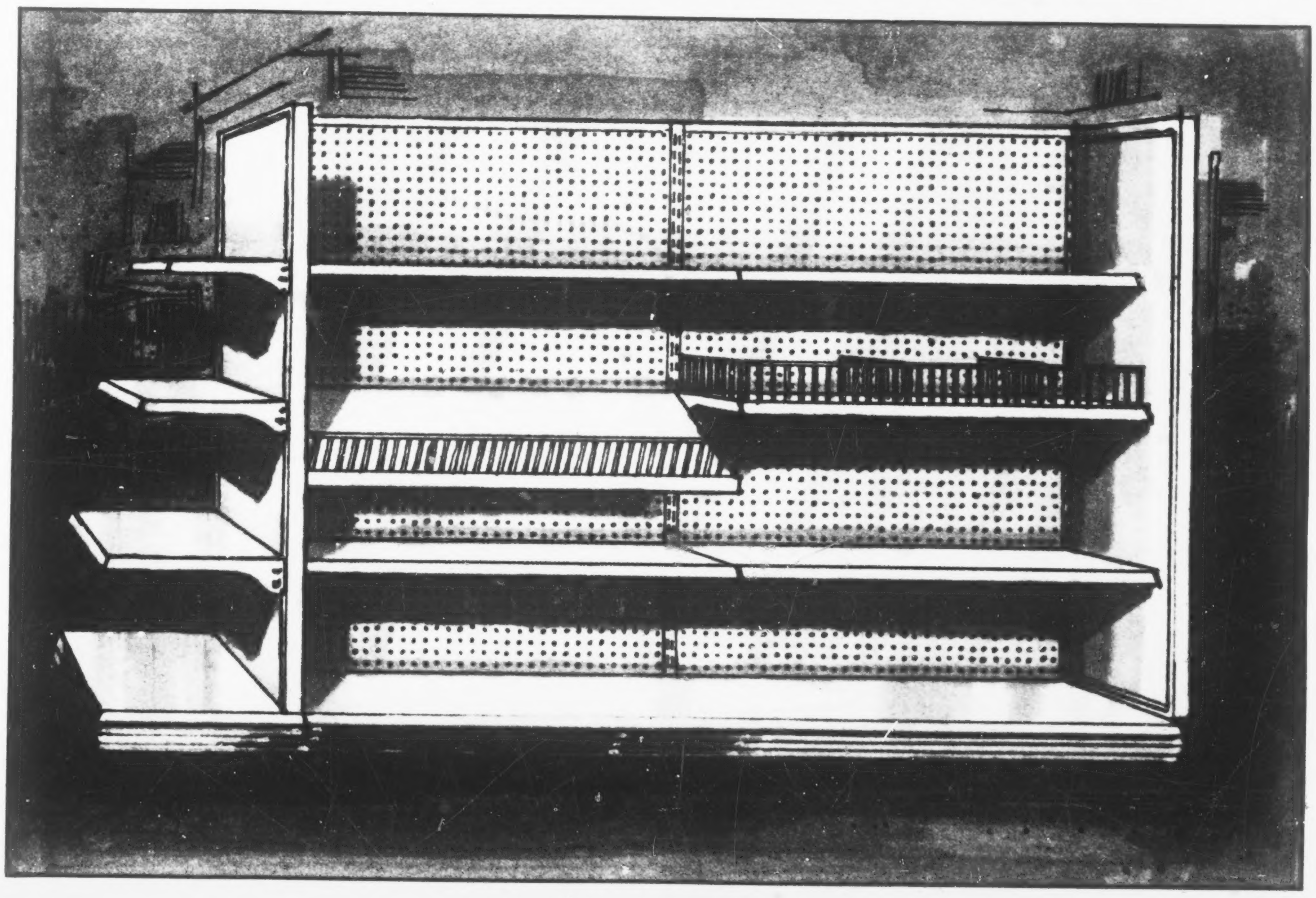

STREATER
Store Fixtures

411 South First Avenue, Albert Lea, Minnesota 56007 (507) 373-0611

84/DSN-2

Small-size Full-line Stores Lose Ground

Gross Square Footage	Projected Dec. 31, 1984		As of Dec. 31, 1983		% Change in No. of Stores Projected 1984 vs. 1983
	No. of Stores	% of Total	No. of Stores	% of Total	
10,000 to 19,999	622	7.7	638	7.8	− 2.5
20,000 to 29,999	535	6.6	555	6.8	− 3.6
30,000 to 39,999	631	7.8	696	8.4	− 9.3
40,000 to 49,999	1,035	12.8	1,023	12.4	+ 0.1
50,000 to 59,999	748	9.2	783	9.5	− 4.5
60,000 to 69,999	881	10.9	881	10.7	NC
70,000 to 79,999	613	7.6	613	7.4	NC
80,000 to 89,999	873	10.8	888	10.8	− 1.7
90,000 to 99,999	314	3.9	283	3.4	+11.0
100,000 to 119,999	1,342	16.5	1,342	16.3	NC
120,000 to 139,999	185	2.3	185	2.3	NC
140,000 to 149,999	57	0.7	57	0.7	NC
150,000 to 199,999	191	2.4	191	2.3	NC
200,000 and larger	82	1.0	82	1.0	NC
TOTAL	8,109	100.0	8,217	100.0	− 1.3

NC = No change.

Source: *DSN* Research

Nationwide DSN Report

Small-size stores are losing some steam in 1984.

Nearly all of the 108 discount department stores that make up the industry's net loss in store count this year were smaller than 60,000 sq. ft.

The net unit count of stores larger than 60,000 sq. ft. is showing slight growth and representing a larger share of the industry's outlets.

Consolidation among full-line discounters is helping to raise the average size of stores. Large-unit operators such as Target, Caldor, Bradlees and Hills continue to scoop up shuttered sites at a brisk pace. Many discounters are reopening dormant Woolco stores. Still other chains are enlarging their own existing units.

As large locations are reopened under new banners, the total number of stores larger than 60,000 sq. ft. is rebounding.

This year's shift in store size leaves the industry with 56% of its stores larger than 60,000 sq. ft., up from 55.1% in 1983 and 55.3% in 1982.

The only substantial gain in store numbers in any size range is in the 90,000-99,999-sq.-ft. range. At the close of this year, 31 more stores of this size will be operating.

A smaller, 12-unit increase will occur this year in the 40,000-49,999-sq.-ft. range, the industry's second most prominent size segment, reflecting the rural and exurban strengths. Its share of total store count is expected to rise to 12.8%, compared with 12.4%.

The greatest number of store closings this year is in the 30,000-39,999-sq.-ft. range, where a net loss of 65 stores translates into a 9.3% decline. The second hardest hit segment, the 50,000-59,999-sq.-ft. range, shows a 4.5% net decline, in part reflecting Cook United's shuttering of more than 40 units. Both segments, which were stable last year, now combine for a 17% share of total industry store count, down from 17.9% a year ago.

One large-size segment, the 80,000-89,999-sq.-ft. range, is losing 15 stores this year, a 1.7% decline.

The count of stores larger than 100,000 sq. ft. is expected to be stable at 1,857 units throughout 1984.

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Discount Industry by Metro Market

Top Metro Markets	Proj. 1984 No. Stores All Discounters	Proj. 1984 No. Stores Full-line Discounters Only	Proj. 1984 Sq. Footage All Discounters (add 000)	Proj. 1984 Sq. Footage Full-line Discounters Only (Add 000)	Proj. 1984 Total Sales All Discounters (millions)	Proj. 1984 Full-line Discounters Sales Only (millions)	Population*	Density (Sq. Ft. Per Person) All Discounters	No. of Households	Effective Buying Income Per Household*
New York	310	81	10,483	6,030	$1,375	$ 794	8,241,800	1.27	3,238,100	$22,603
Los Angeles	326	120	11,895	8,933	1,649	1,176	7,719,100	1.54	2,826,300	25,280
Chicago	400	168	16,312	12,506	2,228	1,646	6,028,500	2.71	2,211,900	27,453
Philadelphia	290	114	11,354	8,486	1,557	1,117	4,725,100	2.40	1,696,500	26,120
Detroit	269	72	8,295	5,360	1,179	706	4,346,900	1.91	1,551,500	27,435
Boston	350	114	11,927	8,486	1,668	1,117	3,652,800	3.27	1,336,000	27,633
District of Columbia	283	62	8,260	4,615	1,162	608	3,363,000	2.46	1,236,600	33,236
Houston	265	83	9,435	6,179	1,324	813	3,150,800	2.99	1,143,100	28,588
Nassau-Suffolk, N.Y.	240	53	7,100	3,945	997	519	2,665,900	2.66	851,100	38,427
Atlanta	249	46	6,361	3,424	924	451	2,320,000	2.74	839,700	25,804
Baltimore	229	49	6,066	3,648	884	480	2,248,600	2.70	799,300	25,938
Minneapolis-St. Paul	223	46	5,799	3,424	845	451	2,200,200	2.64	810,300	29,316
Dallas	240	56	6,844	4,169	977	549	2,182,000	3.14	812,400	26,519
Pittsburgh	203	76	7,572	5,657	1,048	745	2,176,300	3.48	830,300	24,366
Anaheim-Santa Ana	143	59	5,547	4,392	768	578	2,129,400	2.61	780,600	32,715
San Diego	137	36	4,072	2,680	584	353	2,036,100	2.00	749,300	24,996
Newark	181	38	4,992	2,829	715	372	1,868,800	2.67	660,500	30,429
Oakland	120	38	4,341	2,829	594	372	1,847,600	2.35	717,000	29,046
Cleveland	205	57	6,285	4,243	894	559	1,843,300	3.41	703,600	24,823
St. Louis	207	56	6,242	4,169	891	549	1,812,000	3.44	662,500	26,647
Tampa-St. Petersburg-Clearwater	163	42	5,027	3,127	707	412	1,787,800	2.81	732,900	19,903
Miami-Hialeah	192	32	4,353	2,382	641	314	1,764,500	2.47	645,900	21,756
Riverside-San Bernardino	96	26	2,886	1,935	432	255	1,751,600	1.65	628,600	23,356
Phoenix	172	36	4,572	2,680	665	353	1,681,800	2.72	640,000	23,131
Seattle	210	46	5,[illegible]71	3,424	873	481	1,675,400	3.44	657,800	28,332
Denver	199	31	4,604	2,308	559	304	1,580,100	2.91	619,000	27,647
San Francisco	98	22	2,898	1,638	407	216	1,507,200	1.92	631,500	28,876
Cincinnati	136	57	5,364	4,243	740	559	1,395,000	3.85	519,100	24,753
San Jose	104	34	3,736	2,531	514	333	1,390,900	2.69	509,000	33,780
Milwaukee	153	37	4,249	2,754	618	363	1,389,200	3.06	516,000	27,454
New Orleans	184	45	5,272	3,350	758	441	1,330,500	3.96	487,200	22,348
Bergen-Passaic	185	23	3,963	1,712	588	225	1,277,400	3.10	462,500	32,413
Columbus, Ohio	136	43	4,407	3,201	626	421	1,263,400	3.49	479,700	23,527
Sacramento	79	26	2,814	1,935	387	255	1,217,500	2.31	478,300	24,288
Norfolk	149	36	4,294	2,680	615	353	1,210,700	3.55	412,100	22,960
Indianapolis	156	48	5,037	3,573	713	470	1,180,400	4.27	428,600	24,831
San Antonio	130	40	4,321	2,978	605	392	1,173,600	3.68	392,400	22,240
Portland, Ore.	179	44	4,965	3,275	724	431	1,125,600	4.41	445,600	23,926
Ft. Lauderdale-Hollywood	131	32	3,473	2,382	500	314	1,121,000	3.10	463,400	23,815
Ft. Worth-Arlington	129	40	4,306	2,978	603	392	1,085,800	3.97	396,800	25,748
Hartford	158	34	4,081	2,531	601	333	1,054,800	3.87	382,700	30,421
Charlotte-Gastonia-Rockhill	140	24	3,373	1,787	499	235	1,013,300	3.33	368,800	22,843
Salt Lake City-Ogden	127	31	3,597	2,308	518	304	1,008,100	3.57	322,100	24,502
Rochester, N.Y.	95	27	3,272	2,010	446	265	995,900	3.29	360,300	29,014
Buffalo	106	37	4,044	2,754	550	363	993,500	4.07	364,000	24,680
Louisville	131	34	3,864	2,531	552	333	964,700	4.01	355,800	23,177
Oklahoma City	97	38	3,739	2,829	514	372	954,600	3.92	360,600	24,262
Dayton-Springfield	84	29	2,899	2,159	406	284	925,600	3.13	352,500	23,724
Memphis	126	27	3,428	2,010	493	265	920,400	3.72	319,500	21,585
Kansas City, Mo.	124	38	4,150	2,829	577	372	913,700	4.54	350,600	24,311

**From 1984* Sales & Marketing Management *survey of buying power.*

Source: DSN *Research*

CENSUS '84/'85

Discount Industry Breakdown by State

States	Proj.* 1984 No. Stores All Discounters	Proj. 1984 No. Stores Full-line Discounters Only	Proj. 1984 Sq. Footage All Discounters (add 000)	Proj. 1984 Sq. Footage Full-line Discounters Only (add 000)	Density (Square Foot Per Person) All Discounters	Proj. 1984 Total Sales All Discounters (millions)	Proj. 1984 Full-line Discounters' Sales Only (millions)	Total U.S. Retail Sales** (add 000)	Total Discount Sales As % of Total Retail Sales
Alabama	363	189	16,759	11,205	4.19	$2,245	1,852	$ 16,835,999	13.3
Alaska	34	4	625	320	1.25	96	39	3,119,999	3.1
Arizona	375	111	11,724	8,663	3.88	1,625	1,087	13,379,620	12.1
Arkansas	362	210	17,605	11,895	7.49	2,366	2,058	10,491,000	22.6
California	1,385	463	49,599	40,614	1.96	6,704	4,537	140,496,994	4.8
Colorado	371	105	11,327	7,545	3.56	1,572	1,029	16,871,794	9.3
Connecticut	507	161	16,483	12,393	5.26	2,483	1,578	18,924,988	13.1
Delaware	213	29	4,406	2,586	7.24	643	284	3,080,997	20.9
D.C.	132	3	1,888	223	3.05	289	29	3,059,000	9.4
Florida	837	268	29,474	23,702	2.73	3,978	2,626	59,092,749	6.7
Georgia	522	182	17,975	16,047	3.11	2,543	1,784	26,465,182	9.6
Hawaii	58	17	1,735	878	1.68	244	167	5,361,996	4.6
Idaho	169	24	3,401	1,389	3.39	503	235	5,068,296	9.9
Illinois	784	350	32,551	27,805	2.83	4,390	3,430	56,422,590	7.8
Indiana	620	278	25,530	20,351	4.62	3,460	2,724	26,497,281	13.1
Iowa	217	136	11,538	7,382	3.93	1,531	1,333	14,598,693	10.5
Kansas	211	138	11,599	8,542	4.77	1,536	1,352	11,909,593	12.9
Kentucky	443	180	16,781	11,445	4.47	2,292	1,764	17,214,201	13.3
Louisiana	512	177	18,012	10,204	4.03	2,459	1,735	19,412,698	12.7
Maine	231	49	5,939	3,173	5.15	839	480	6,778,499	12.4
Maryland	448	122	13,691	9,721	3.16	1,892	1,196	23,448,096	8.1
Massachusetts	897	257	27,404	18,539	4.75	3,808	2,519	34,652,979	11.0
Michigan	619	261	25,121	22,617	2.75	3,392	2,607	44,657,436	5.8
Minnesota	441	135	13,892	9,029	3.33	1,928	1,323	22,102,586	8.7
Mississippi	316	129	11,950	6,971	4.59	1,634	1,264	9,501,199	17.2
Missouri	471	204	18,777	19,462	3.76	2,551	1,999	26,132,783	9.8
Montana	109	19	2,663	1,139	3.24	377	186	4,917,695	7.7
Nebraska	188	92	8,159	5,795	5.09	1,101	902	8,115,100	13.6
Nevada	161	29	3,916	1,958	4.33	554	284	5,997,896	9.2
New Hampshire	212	64	6,854	4,189	7.11	942	627	6,110,998	15.4
New Jersey	798	199	23,099	19,701	3.09	3,208	1,950	40,473,188	7.9
New Mexico	237	78	7,911	5,378	5.58	1,096	764	6,888,700	15.9
New York	1,252	431	40,028	37,689	2.26	6,115	4,223	81,561,943	7.5
North Carolina	506	210	20,339	14,592	3.32	2,738	2,058	28,827,180	9.5
North Dakota	171	36	4,211	1,743	6.13	603	352	3,418,999	17.6
Ohio	1,031	505	44,820	39,308	4.16	6,051	4,949	50,755,270	11.9
Oklahoma	363	133	12,965	7,771	3.88	1,776	1,303	15,776,494	11.3
Oregon	306	99	9,865	6,787	3.69	1,371	970	14,879,990	9.2
Pennsylvania	885	439	40,411	33,650	3.39	5,390	4,302	54,351,789	9.9
Rhode Island	238	36	5,120	3,039	5.37	742	353	4,913,000	15.1
South Carolina	348	123	12,426	7,893	3.76	1,694	1,205	13,677,293	12.4
South Dakota	173	39	4,562	1,702	6.46	644	382	3,618,991	17.8
Tennessee	472	199	18,796	11,741	3.98	2,544	1,950	21,982,888	11.6
Texas	1,224	535	50,944	40,115	3.20	6,843	5,243	88,318,633	7.7
Utah	135	42	4,505	2,796	2.74	617	411	7,122,498	8.7
Vermont	224	29	4,466	1,648	8.44	657	284	3,136,001	21.0
Virginia	550	205	20,387	15,570	3.65	2,770	2,009	29,132,978	9.5
Washington	408	92	10,893	6,880	2.51	1,533	902	22,748,891	6.7
West Virginia	338	120	11,837	7,094	6.00	1,623	1,176	9,732,993	16.7
Wisconsin	450	142	14,311	10,919	3.00	1,990	1,392	21,068,595	9.4
Wyoming	126	31	3,548	1,537	6.86	495	304	3,282,000	15.1

**DSN estimate based on average per-store sales projected for the calendar year.*

***Total retail sales taken from the 1984* Sales & Marketing Management *survey of buying power.*

Sales and Size of Top 25 Specialty Chains

Rank Chain	Sales (millions)		Number of Units			Net Selling Square Footage (Add 000)		
	Fiscal 1983	Fiscal 1982	1/84	12/84	Proj. for '85*	1/84	12/84	Proj. for '85
1 Toys "R" Us (N.J.)	$1,320	$1,042	169	199	—	4,400	5,200	—
2 Marshalls (Mass.)	1,061	830	174	210	—	4,176	5,040	—
3 Western Auto (Mo.)	560	519	2,556	2,596	—	1,512[A]	1,512[A]	—
4 T. J. Maxx (Mass.)	475*	350*	118	118	35	2,773	2,773	823
5 Child World (Mass.)	360	283	90	104	—	2,250	2,600	—
6 Circuit City (Wards) (Va.)	357	303	98	113	—	357	495	—
7 Pep Boys (Pa.)	306	265	124	140	—	2,480	2,800	—
8 Loehmann's (N.Y.)	285*	260*	66	76	—	990	1,140	—
9 Oshman's (Tex.)	283	247	186	205	—	1,860	2,050	—
10 Kay Bee (Mass.)	281	183	456	516	—	1,596	1,806	—
11 Silo (Pa.)	275	184	72	107	—	648	963	—
12 Highland (Mich.)	270	160	25	31	—	460	560	—
13 Lucky Automotive Div. (Ariz.)	250*[B]	225*[B]	439	486	—	1,681	1,885	—
14 Hit or Miss (Mass.)	236*	174*	375	375	45	1,425	1,425	171
15 Lechmere (Mass.)	227	188	6	7	2	790	890	254
16 Burlington Coat (N.J.)	220	131	51	72	—	2,142	3,024	—
17 Pic-A Dilly/It's a Dilly (Calif.)	212*	206*	253	265	—	961	1,007	—
18 Lionel Leisure (Pa.)	198	178	53	53	1	1,325	1,325	50
19 Syms (N.Y.)	179	147	11	14	—	421	561	—
20 Pacific Stereo (Calif.)	170*	153*	82	87	—	385	410	—
21 Filene's Basement (Mass.)	151	119	14	14	—	490	490	—
22 Big 5 (Calif.)	150*	125*	70	70	—	700	700	—
23 Crazy Eddie (N.Y.)	140*	111	13	15	3	6,900	7,900	16
24 Grand Auto (Calif.)	140	122	84	84	—	756	756	—
25 The Federated Group (Calif.)	138	89	20	28	—	463	621	—

*_DSN_ estimate. [A]Only includes net square footage from 216 company owned stores. [B]Includes sales from Kragen, Checkers, Honey and Statewide.

Source: DSN research

Specialty Chains Eye $23 Billion

Nationwide DSN Report

Specialty retailers are expecting to account for $23 billion in sales this year.

The leaders in each merchandise segment share one common bond—the big keep getting bigger.

DSN's list of the top 25 specialty chains, ranked by volume, indicate the top chains, including Toys "R" Us, Marshalls, Western Auto, T. J. Maxx, Child World and Wards continue to expand, further bolstering already dominant market shares.

Figures Analyzed

The largest specialty segment, off-price apparel, is expected to hit $8.6 billion by year's end. Industry volume should finish 25% ahead of last year as more and more players make a bid for a share of the business. With that accelerated growth rate, there is also a growing concern that a shakeout is imminent.

A much watched early entry by Dayton Hudson, Plums, was among the first to fail, victim of a narrow-focused marketing strategy. Other more established ventures, however, continue to thrive. Zayre's T. J. Maxx and Hit or Miss both finished in the top 25 and are slated for a combined 80 openings in 1985.

Other newcomers in the field are also making their presence known. The San Francisco-based Ross Stores, which grew from eight units to 26 last year, will double its store count to 51 by year's end.

Most of the top performers are expanding their market presence in 1984 and nowhere is this more apparent than at Toys "R" Us, the No. 1 specialty retailer.

The toy giant saw a 27% gain in sales last year, bringing volume up to $1.3 billion, opening 25 new units and adding one new market, centered in Atlanta to its territory. This year 30 new stores are slated for openings, including in the greater Cincinnati market, as Toys "R" Us attempts to increase its 12½% share of total United States toy sales.

Sales Estimated

Marshalls, No. 2 on the chart, is again the leading chain in the off-price apparel segment and is projecting sales of $1.3 billion by year's end, almost a $300 million anticipated gain from last year's $1.061 billion. Now in 30 states with 174 stores, Marshalls will be entering two new markets this year—Birmingham and Seattle. The leading off-price retailer, like Toys "R" Us, will concentrate on clustering most of its 36 new units in existing markets.

The leading CE specialty chain, Circuit City (Wards), No. 6 on the chart, with its sights set on $500 million for the current fiscal year, will open 15 new units by year's end. Nine of the 15 openings will be in its superstore format, ranging in size from 30,000 sq. ft. to 40,000 sq. ft. The remaining six units will range in size from 4,000 sq. ft. to 7,000 sq. ft. Wards, like the other top chains, is going after market dominance, concentrating its growth in the Southeast. The company now operates 98 units in 12 states which accounted for $357 million in sales last year.

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4. *Qualify the respondents to your mailings* on the basis of company size, number of units, sales volume, geographical concentrations, etc.
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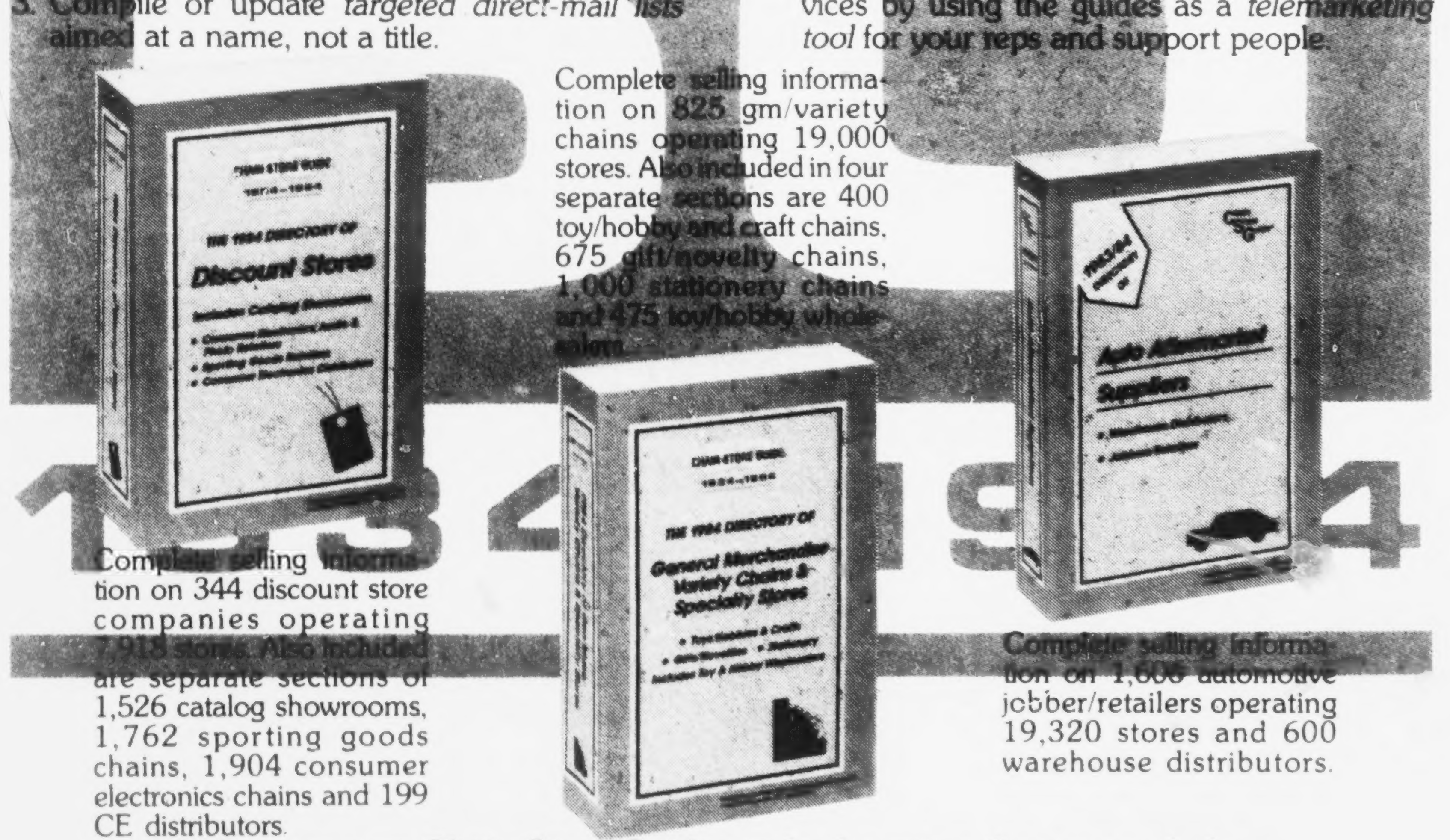

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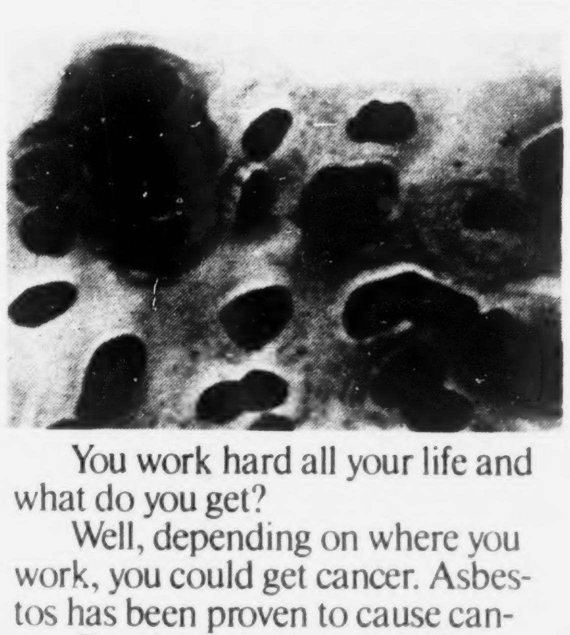

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Leading Catalogers' Progress

Chain (Hq. and Coordinator)	Showroom $ Sales (millions)		$ Net Profits (millions)		Showrooms		
	Last Completed Fiscal Year	Previous Completed Fiscal Year	Last Completed Fiscal Year	Previous Completed Fiscal Year	As of January 1984	As of December 1984	Openings Projected 1985
Best Products (Va.) (Independent)	2,081.3	1,581.7	37.1	28.8	196	204	10
Service Merchandise (Tenn.) (Independent)	1,458.1	1,195.3	44.9	31.6	158	175	20
H. J. Wilson (La.) (Independent)	514.4	458.2	8.8	5.6	79	79	5
Consumers Distributing (N.J.) (Independent)	369.7^	309.0^	(0.5)*^	3.8*^	134	161	25
Carlson Cos. (Iowa)‡ (Creative)	279.0	306.0	N.A.	N.A.	62	67	5
L. Luria & Son (Fla.) (Independent)	145.0	123.8	N.A.	5.6	30	34	4
Gordon Jewelry (Tex.) (Independent)	141.7	142.2	14.9*	16.3*	49	57	5
W. Bell (Md.) (Independent	138.0	125.4	N.A.	2.7	18	18	2
Jewelcor (Pa.) (Jewelcor)	121.2	120.7	7.5*	6.7*	24	25	1
McDade (Ill.)‡ (MAI)	105.0	100.0	N.A.	N.A.	7	8	0
Brendles (N.C.)‡ MAI	80.0	75.0	N.A.	N.A.	19	20	2
Sterling Jewelry (Tex.)‡ (Paul Schultz)	78.0	75.0	N.A.	N.A.	5	5	0
David Weis (Pa.)‡ (MAI)	75.0	70.0	N.A.	N.A.	11	11	2
Ellmans (Ga.) (Independent)	74.5	69.1	1.8	0.9	7	8	1
K's Merchandise (Ill.)‡ (Paul Schultz)	70.0	65.0	N.A.	N.A.	7	8	1
O. G. Wilson (Tex.) (Independent)	47.9	62.0	N.A.	N.A.	15	17	2
E. H. Tepe (Ind.)‡ (Creative)	47.0	45.0	N.A.	N.A.	9	9	1
Dahlkemper's (Pa.)‡ (Paul Schultz)	40.0	37.0	N.A.	N.A.	7	7	1
Evans (Md.)‡ (MAI)	40.0	34.0	N.A.	N.A.	4	5	1
Fred P. Gattas (Tenn.)‡ (MAI)	36.0	32.0	N.A.	N.A.	6	6	1

N.A.—Not available. **Operating income.* *‡Chain's volume estimated by* DSN. *^In Canadian Dollars.* *Source:* DSN *research*

77 New Showrooms Projected For '84 by Top 20 Catalogers

Nationwide DSN Report

The nation's top 20 catalog showroom chains were major beneficiaries of last year's overall economic upturn and they were able to boost their sales 18.2% to $5,941,800,000 from $5,026,400,000.

These chains also increased the total number of showrooms they operate from 793 at the start of 1983 to 847 at the start of this year, a gain of 54 units or a 6.8% increase.

The catalogers project adding 77 showrooms during this year for a 9% jump in units, and the outlook for 1985 calls for 89 more units or a 9.6% boost.

The overall strong performance of the top 20 showroom chains was paced by the Big Two—Best Products and Service Merchandise—which increased their domination of the catalog industry.

Total sales of the Big Two went to $3.5394 billion or 59.6% of that generated by the Top 20 chains. That volume amounted to a 27.4% gain from the $2.7770 billion or 55.2% share recorded in the previous year.

A somewhat similar situation prevails in the number of showrooms. At the start of last year the duo had a total of 328 showrooms or 41.4% of those run by the Top 20 chains. They opened 26 showrooms, a 7.9% increase, to start this year with 354 units, or 41.8% of those by the Top 20.

The bright financial picture of the Top 20 glosses over the concern about the state of the industry noted at a number of chains. This centers on the fact that the showroom business has matured and its rate of growth during the past few years has dropped sharply from the early, booming years.

More and more catalogers are looking to boost their sales and profits through either (a) diversifying into other retailing fields and/or (b) adding categories to the showroom's mix to boost productivity.

Diversification is best exemplified by the Big Two: Best added Ashby's, an apparel specialty store chain, and Best Jewelry, a jewelry and giftware store arm, to its operations, while Service Merchandise has entered the warehouse home center field with HomeOwners Warehouse.

At the same time, clothing is due to be tested by H. J. Wilson, and is already being merchandised by David Weis, H. E. Tepe and the Yale's stores run by Carlson Cos. The latter is adding health and beauty aids to Ardan, a category long carried in the Edison division of Jewelcor.

Domestics is also being eyed by catalogers, with McDade's adding the category earlier this year to join Service Merchandise and H. J. Wilson which already carried this merchandise.

Murray's Opens 2nd in Toledo

SOUTHFIELD, Mich.—Murray's Discount Auto Stores has opened its second outlet in Toledo, bringing to 18 the number of stores operated by the Michigan-based chain.

The first Toledo store was opened in February.

The chain's stores are styled like supermarkets with shopping carts and self-service.

Wayne Shotwell, manager of the new Toledo store, commented: "We have a full selection of everything for cars except tires."

Since opening its first store more than 12 years ago, Murray's has branched out through the Detroit Metropolitan Area and is now moving into northern Ohio.

Broader Mix, Modular Displays Are Totally Transforming K mart

HOME IMPROVEMENT
HOME HARDWARE
K mart

Cubes and endcap displays along with special illustrative panels are used to define areas within home care sections at K mart's latest prototype store, Rochester, Mich. *(DSN photo)*

TROY, Mich.—K mart has put together a new act and is taking it on the road.

The top-volume discounter is expanding on its previously narrow low-end positioning in favor of a broader assortment and more upscale "modular presentation."

K mart's store of the 80's, which debuted this spring in Rochester, Mich., is projected to boost last year's sales per square foot of $155 up to $200 by 1986, when the look will dominate the chain.

At the same time it totally reorients its discount stores, the company is strengthening its subsidiary businesses:

—This fall the company will open three warehouse home centers in Chicago, marking a brand new retail venture for the company.

—Also this year, the company is expanding its 26 in-store financial service centers operated by K mart Insurance Services into 95 stores in Florida and Texas. Long-term plans call for centers in all the chain's 2,160-plus stores.

—The '84 plans also include the expansion of the $33 million-volume Designer Depot off-price apparel stores from 29 in January to 59 by year's end. The newer Garment Rack stores launched as bare-bones off-price outlets late last year will also be expanded in limited markets.

New Strategy

—The chain is planning to open more Accents off-price home fashions and housewares stores, although no specific sites have been announced. The one-store test was unveiled last year in suburban Troy, near K mart's headquarters.

For the fiscal year ended Jan. 30, 1985, K mart's volume is expected to rise by about 10% over last year's $18.5 biliion to some $20.7 billion. Within the discount operation (97% of total volume) the '84 plans include a reduced store expansion plan of about 30 openings compared to 71 in '83. By December, K mart expects to have 2,188 discount stores.

That slowed rate of unit growth will continue for the next several years, said K mart executives. Clearly, the giant chain's future volume gains will come from the roll-out of its refurbished units.

Some 75 K mart stores will be completely overhauled this year, to follow the latest prototype store. They will include units in the major markets of Atlanta, Denver, Chicago, Detroit and Buffalo, as well as some key stores in smaller markets.

The main features of the new K mart stores include:

—The addition of higher price points in almost every category resulting in broader assortments across the board.

—The combination of several individually tested "shop" presentations based on a new modular layout, which packs more goods per square foot.

—A new fashion push in apparel featuring freestanding focus walls, each housing items related to a specific mode of dress. There's also a revamped apparel mix of 12% brand names and several private label groupings targeted to a specific customer or lifestyle.

All told, 900 K marts will house one or more of the various new shop concepts—Home Fashion, Nutrition Center, Kitchen Korner, Sweet Shop, Wood and Brass (giftware), Home Electronics Centers, Home Care and updated fashion apparel—by the end of this year. The first of those modular shops were put into place last year as test runs.

Upward Spiral

By 1986, those modular departments will have changed the look of the bulk of all K mart stores, according to company executives. Sales on these newer modules are already running in excess of 10% to 15% higher than the older departments, in some cases. Therefore, the company is expecting return on assets to reach a minimum of 9% by 1988. In 1983, when the first of the modules was first tested, return rose to 6.7% from 3.9% in 1982.

Apparel is a key factor in the chain's plans to boost sales per square foot and return. In fact, apparel is projected to contribute at least 15% of this year's volume growth at the discount chain.

The impetus for the current upscaling efforts is based on the chain's consumer research that revealed although over half the nation's retail customers shop at K mart stores, they only bought certain basic items there.

The company's current plan proposes to change that by offering more higher-ticket goods, creating an updated environment conducive to the new merchandise.

This year the chain upped its ad budget by 18% to finance new four-color Sunday tabs, which this spring replaced black and white ROP ads in most markets. Now the chain spends upward of $500 million a year to spotlight departments such as Home Fashion or Kitchen Korner instead of only specific items.

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Conservative Growth: Hills Plans 7 Bows, 8 Store Enlargements

CANTON, Mass.—Slow and deliberate growth and experimentation will remain the hallmark at Hills with seven new stores, including a Dayton, Ohio, market entry, and eight major store enlargements planned this year.

The 116-store chain will also test several high margin hard lines areas and a licensed service department, while rolling out new adjacencies in women's apparel. All of it takes place against a backdrop of a continuing refixturization and upgrade program.

But, many of those changes will be only slight. By design, Hills is a long way from upscaling like a Bradlees or Target. The chain's success has been steeped in an unflagging loyalty to its basic presentations and store environments, lending to its value image, according to Stephen Goldberger, president. The goal has been simply to remain current in merchandise assortments and displays—no more, no less.

It's a success formula that has worked well for Hills over the years, providing it with steady, if not dramatic, gains.

Sales increased 15% for the fiscal year ended Jan. 28, 1984, growing to an estimated $1.03 billion from the previous year's $892 million. Much of that gain resulted from net openings of 17 stores during the year, including market entries into Evansville and Terre Haute, Ind., and Toledo, Ohio.

Operating income increased nearly 17% from approximately $71 million in 1983 to $83 million in the fiscal year ending in 1984.

Hills last year accounted for roughly 78% of the sales of parent company SCOA Industries.

Hills' sales in the previous fiscal year increased about 12%.

The chain's expansion policy has been marked by conservative growth.

The Dayton, Ohio, market entry, for example, falls between existing Hills stores in Middletown and Springfield. Hills views the three as separate markets from a media standpoint, however.

Three stores will open in Dayton—all takeovers from shuttered Rink's stores.

The remaining store openings will fall in existing Hills markets: Lockport, N.Y. (Buffalo); Maumee, Ohio (Toledo); Danville, Va. (Roanoke), and Charleston, W. Va.

The Danville store will be located in an enclosed shopping mall, presently under construction, where Hills will co-anchor with J. C. Penney and Leggett's Department Store. Unlike some other chains, Hills has never shied away from locating in enclosed malls, Goldberger pointed out.

The chain will also be constructing additions to eight older stores this year in order to bring their sales floors up to Hills' 80,000-sq.-ft. prototype. Additionally, 30-40 stores are slated to undergo minor upgrades or remodelings.

Hills' merchandising efforts will also undergo some changes this year, principally in women's apparel—historically one of its strongest areas. Several adjacencies are to be changed, among them there location of women's ready-to-wear to the main aisle, replacing lingerie, which will be pushed to the back of the department.

Additionally, cubes and feature racks will be added to women's sportswear on a selective basis as an adjunct to Hills' more traditional use of piperacks, Goldberger said. Those changes are to be completed in more than half the stores by September.

"We're not replacing the piperacks by any means," he explained. "Doing so would sacrifice their higher productivity. We're adding the cubes and feature racks just to stay up-to-date."

Similar programs have already been implemented in some men's wear categories.

Hill's captive labels—Appalachian Trail and Spring Harbor—will continue to be emphasized this year .

WORK CLOTHES
Dickies
socks
Hills

Though Hills is upgrading some of its apparel fixturing to include cubes and feature racks, long runs of piperacks will still dominate. The straight runs are used to enhance Hills' value image. *(DSN photo)*

TAKE ON

West Coast Invasion Leaves Target on 'Roller-Coaster'

(Continued from page 3)

Bruce G. Allbright
Chairman, ceo, Target

annual report stated. This impact can be found in the report's listing of Target's start-up expenses, which amounted to $16.3 million in 1982 (when the California stores were acquired and remodeling began) and $17.4 million last year (when most of the refurbishings were carried out and the stores opened). In 1981, Target revamped 40 Ayr-Ways and its start-up costs that year were only $12.6 million.

While the annual report specifically cited the remodelings and reopening of the 28 California stores as the keys to Target's start-up expenses, the discounter's move West involved another, just as vital, start-up factor: the opening of a regional distribution center in Rancho Cucamonga in the spring of 1983, and establishing of Region 2 as a new region for California and the Southwest.

One source noted that the regional distribution center had typical—but extensive—shakedown problems. However, they occurred as Target started to stock the California stores for their grand reopenings. The result was poor assortments and out-of-stocks that combined to hurt sales in San Diego and Los Angeles as Target bowed in both markets, facing long-entrenched Gemco, Fedco, K mart and Zodys.

Target executives were fully aware of the challenge facing them in southern California, especially of the need to establish an identity and capture market share from the strong discounters—particularly Gemco—already there.

This effort is summed up as "a more competitive pricing strategy," the report noted, which, it also acknowledged "resulted in a slight reduction in the gross margin rate."

One source noted that most other southern California discounters matched Target's efforts to mark out a price leadership position for itself. Gemco, in fact, continued to play up its move to be more competitive in local spot TV, while directing its overall advertising effort to counter Target's entry into California.

Gemco's efforts via TV are evident from the $3.2 million the membership discounter spent on spot TV in Los Angeles in 1982, when it already knew Target was coming to that market, and the $3 million it spent last year when Target arrived.

Gemco's lower amount last year was still higher than Target's $2.3 million spot TV expenditure in Los Angeles.

One local retailing source asserted that Target's extensive promotional efforts, so far, haven't established a unique or different identity for the chain and it hasn't drawn customers away from other discounters. Target hasn't given customers of the membership discounters any reason to switch as Target's prices aren't any sharper, and the membership discounters have very loyal customers.

He added that K mart has become more aggressive on the West Coast, so even this discounter isn't an easy foe. The only weaker discounter, he said, was Zodys, and its customers are not targeted by Target.

San Diego, where the annual report acknowledged sales were "somewhat below expectations" for Target, is considered an unusual market: the PX on the Navy base there draws off a large amount of sales that would go to retailers in nonmilitary markets.

Target executives based their projections on what the discounter would do in San Diego on FedMart's dominance in the market, a source said.

Drawback Noted

However, FedMart was a local discounter with a major hold on the market that wasn't as easily transferred to Target as that chain's executives anticipated. Additionally, Target, a nonunion retailer, ran into opposition from unions, whose members weren't automatically rehired for the formerly unionized ex-FedMarts. The unions urged consumers to boycott Target when those stores were opened, a move that didn't help the discounter's image.

The Price Club was one factor that couldn't be completely included in Target's projections, one source asserted. The membership wholesaler started a major expansion throughout southern California just as Target came into the market, he explained. The Price Club already had a market position and a share of the business that was only increased, leaving even less business for Target to capture.

The problems that Target has faced in its move west aren't seen as having any long-term adverse impact on the chain. It will just take it longer to become a major factor, one source noted.

The move to southern California, beyond just its local impact, is part of a broader effort—a company plan to become a Southwest power. The two more units due in California—in Culver City and Puente Hills, in the fall—are just part of what will now become a buildback program for that region.

They will follow Target's invasion of Phoenix earlier this year with five stores.

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Marshalls Bolsters Existing Markets, Shuns Upscaling

WOBURN, Mass.—Marshalls, the $1 billion off-price apparel chain, is staying out of the upscaling race that has drawn in many of its competitors.

Priorities at the 180-plus-unit chain lie in strengthening the merchandise mix and market share in the face of local competition in just about every market.

The majority of this year's store openings—33 out of 36—are fill-in stores in existing markets which should bolster market penetration and increase the returns on advertising expenditures.

The two presentation changes currently being rolled out chainwide—adding more circular racks to break up long runs of piperacks, and breaking out juniors sizes from misses—are aimed to make shopping the stores quicker and easier, according to company president Frank Brenton.

At the same time the company is revving up its advertising push.

More institutional-type television ads were used so far this year at the expense of the chain's radio budget, which was sliced to about 3% of the overall $20 million budget. Television expenses are being raised from 20% to about 25% of total ad expenditures.

Starting in January the company sponsored "Fashion Reports from Marshalls" in New York and Chicago as a test run of the tactic. Typical spots feature a woman who talks about the value in classic styles vs. fads, or offers tips on accessorizing specific dresses and suits.

Promising Area

At presstime, a company spokesman said the "Fashion Reports" were successful and would most likely be used in additional markets next year.

With all these programs under way, Marshalls is expecting chain volume to hit $1.3 billion for 1984. By the end of the year there should be a total of 210 Marshalls' stores in 32 states.

In April of this year the chain entered its only two new markets for the year—Seattle, Wash. and Birmingham, Ala. In the fall, the chain will back up its Seattle entry with two more stores in the market.

Marshalls' stores average about 30,000 sq. ft. and stock ladies' wear, children's wear, men's wear, jewelry, shoes, domestics and giftware.

Over the past year, merchandisers have been working to get more into current-season goods and to move out of irregulars in all categories except domestics. At present the merchandise mix is about 60% closeout merchandise.

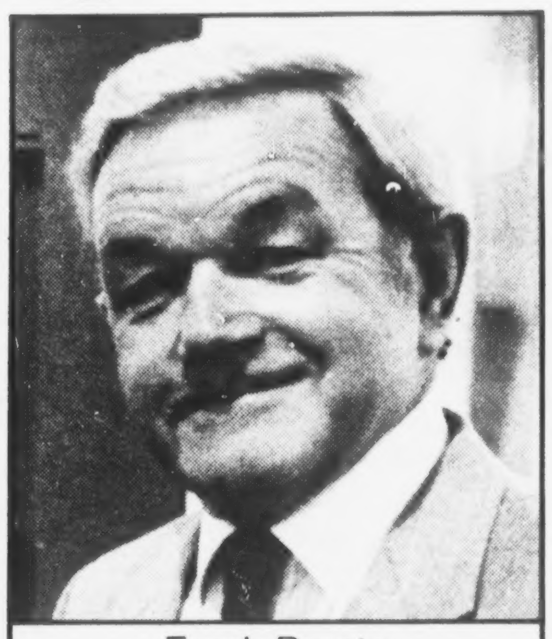
Still, unlike some other off-pricers, the 26-year-old division of Melville doesn't have to depend on diverters for its merchandise. About 95% of the goods sold in Marshalls' stores are purchased directly from the manufacturer.

Marshalls' projection of a 24% volume gain for this year compared to 29% and 35% in '83 and '82, respectively, signal the maturity of the industry.

"With more chains in the business, everybody will have a smaller sales gain," Brenton explained earlier this year.

In its older stores, Marshalls will continue to refurbish stores according to its 18-month-old Denver-look prototype. That model features a race track, angled piperacks, bare floors and a blue and magenta color scheme for signing.

In tracking sales information, merchandisers at the chain now use abbreviated reports that include numbers on items that fall 15% above or below the norm. That way, merchandisers can look at 10% of the paperwork to find out immediately what the problem spots and fast-selling items are.

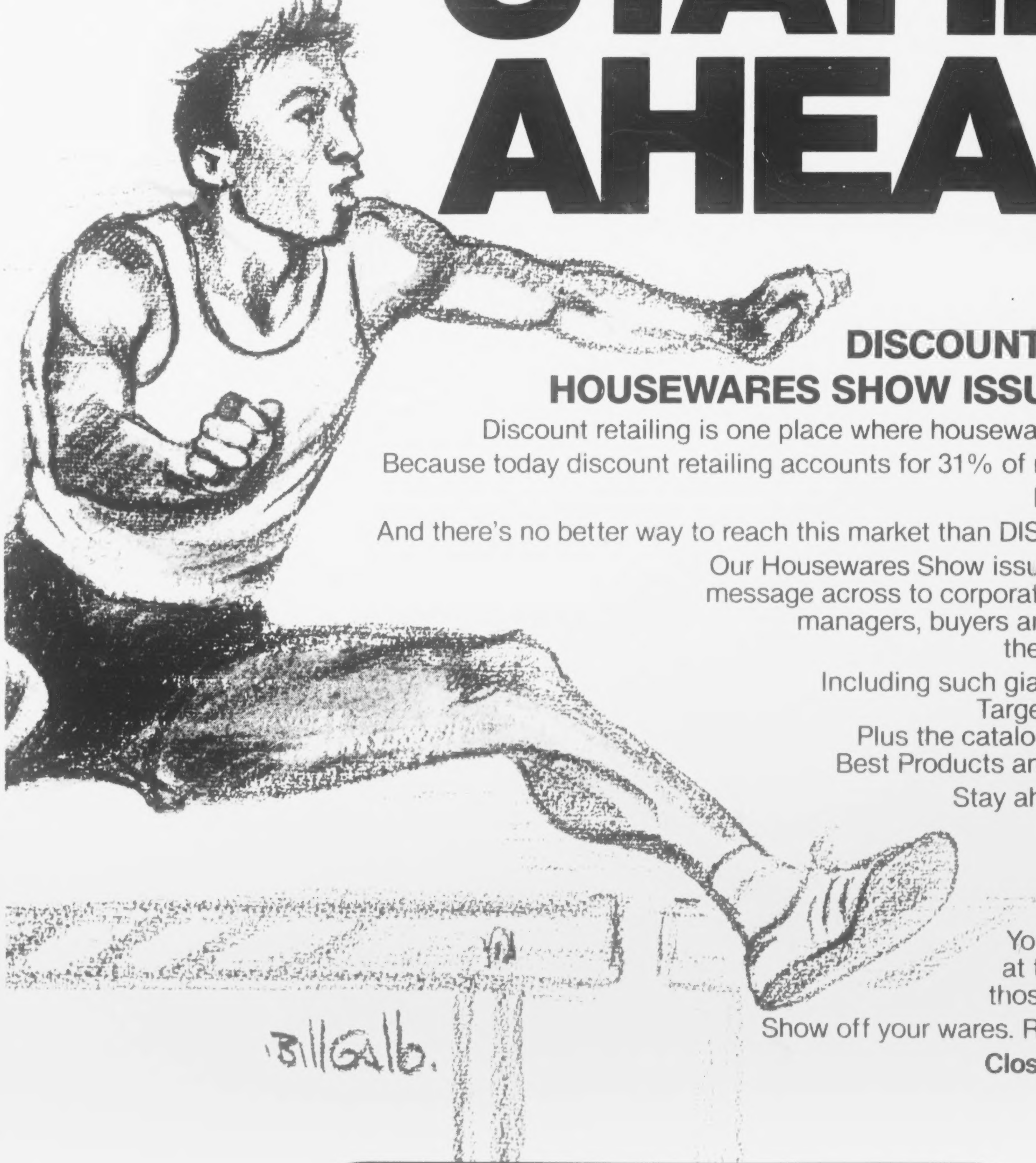

Frank Brenton
President, Marshalls

Stuarts Readies Its Tenth Store

NEEDHAM HEIGHTS, Mass.—Stuarts Department Stores has announced plans to open a 10th store in August—in Chelsea, Mass., at the Mystic Mall.

The 84,000-sq.-ft. store will offer family clothing and household furnishings and will be open seven days a week.

The company now operates stores in Lawrence, Lowell, Billerica, Malden, Fitchburg, Tewksbury and Brockton, Mass., and in Goffstown and Nashua, N.H.



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Wal-Mart Reaches For $6.2B Sales, 103 New Stores

Jack Shewmaker
President, Wal-Mart

BENTONVILLE, Ark.—Wal-Mart is aiming for $6.2 billion in sales and 103 new stores this year.

But, that's only part of the chain's expansion plans. Before year's end six new Sam's Wholesale Clubs will be opened, bringing the total to 10. Additionally, Wal-Mart plans the opening of 60 more company-owned pharmacies, joining the 105 owned and 101 leased pharmacies in the chain's more than 670 stores.

The real challenge, though, is in the store opening schedule. Through June, the nation's second largest discounter had opened only 37 new units prompting chairman Sam Walton to characterize the situation as a "deep hole" in a company newsletter. But that was more Walton's cheerleading than any real worry about the schedule, according to David Glass, vice-chairman/cfo.

"It's no real problem—it's very do-able," he said. "We just like to get those stores open as early as possible in the year, but with all the rain we haven't been able to."

Nearly all of the new stores are being constructed from the ground up; there will be few takeover locations, Glass explained. About one-third are being built by developers with the remaining two-thirds handled by Wal-Mart's own construction and real estate department.

In order for the chain to reach its goal it will have to average two to three new store openings a week for the remainder of the year. But Wal-Mart has, at times, opened as many as 11 units in a week, Glass said.

Sales Up

If the opening schedule is met, the $6.2 billion sales figure—representing a 31% increase—could be on the conservative side. Over the last 10 years, Wal-Mart has *averaged* 40% annual sales gains—a period that included two major recessions.

Already for the first quarter of fiscal 1985, Wal-Mart posted a 44% sales gain—to $1.2 billion—with a 59% increase in net profits, to $43.6 million. Those figures included a 19% gain in comparable-store sales over a year ago.

In addition to the 103 openings slated for this year, 105 new units are planned in 1985. Those units will be located principally in Wal-Mart's existing 19-state trading area. But with the opening of a 650,000-sq.-ft. distribution center in Iowa next January, the chain will be poised for entry into at least six new states on its northern and western tier.

The six are Wisconsin, Michigan, North and South Dakota and Ohio—all within a 500-mile radius of the new distribution center.

But if those expansion plans aren't enough, Walton recently announced plans for 20-25 Sam's Wholesale Clubs to be up and running by 1986, producing an estimated volume of between $650 million and $750 million. The clubs, which Wal-Mart considers its major metro market entries, will include debuts this year in Houston, St. Louis and Cincinnati.

The clubs, which typically produce a first-year volume of $25 million to $30 million each, are already operating in Oklahoma City, Dallas and Kansas City.

Although Wal-Mart hasn't yet announced expansion plans for its dot Discount Drug Store in Des Moines, the operation is at the very least being looked to for conceptual help for the chain's in-store pharmacies.

The 200 pharmacies in operation last year contributed 2% to Wal-Mart's sales—about $94 million.

Wal-Mart is also moving ahead operationally, including chainwide enhancements to its in-store reordering system, which relies heavily on IBM Series/1 backroom minicomputers. So far, about 200 stores have begun using the Telxon system—a portable terminal used by department managers.

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Zayre to Beef Up Specialty Chains, Refine Full-liners

FRAMINGHAM, Mass.—Zayre is sticking to its two-tier formula of refining its basic discount store business and simultaneously strengthening its specialty retail ventures.

This year, management is continuing the evolution of presentation and merchandise assortment on the discount chain's soft lines side. The goal is to hold the chain firmly to its discounter status while catering to shoppers through cleaner displays and broadened mix—in domestics and apparel, especially.

Meanwhile, Zayre Corporation's two newest diversification moves are also being developed.:

- B.J.'s wholesale warehouse clubs will debut in October in Medford, Mass., and Johnston, R.I., following closely the proven Price Club format.
- The Chadwick's of Boston mail order offshoot of the Hit or Miss ladies' wear off-price division is being expanded with a distribution center of its own and four catalogs planned for the year.

The '84 expansion plan at Zayre Corp. also calls for the opening of 10 to 15 new Zayre stores in Florida, Massachusetts, Ohio, Tennessee, Kentucky and Illinois; 35 additional T. J. Maxx off-price family apparel stores, and 50 more Hit or Miss off-price ladies' wear-only shops.

Sales Up

Last fiscal year a similar expansion plan (11 Zayre stores, 89 Hit or Miss stores and 32 T. J. Maxx stores) resulted in corporate sales of $2.6 billion, a 22% increase over the year before. Net income for the corporation rose 74.6% to $61.4 million.

The discount store chain generated sales of $1.9 billion from 275 stores operated at year's end. The volume increased almost 19% from $1.6 billion the year before. On a store-for-store basis Zayre stores' volume increased 14.4%. Operating income for the chain rose 65% to $90.8 million.

Those results at the discount chain were attributed to the completion last year of several long-term refinements: the installation of chainwide electronic point-of-sale terminals; management's breaking the chain into more districts of fewer stores, and adding in-store computer terminals and an improved replenishment system based on the more accurate sales information.

This year, at store level, the chain is working on merchandising and display presentations that will make the shopping experience easier for customers while leaving the chain firmly tied to its discounting roots.

Among the changes being tested at one of the chain's Hartford, Conn., area stores are:

- Valance lighting has been added to perimeter walls to soften the "barnlike" look of Zayre's average 55,000-sq.-ft. selling spaces. The valance conceals fluorescent lighting which shines down on to the merchandise as well as up toward the ceiling. Also, Zayre's typical bright orange decor and trim have been toned down to a lighter shade.
- Reformation of the center-of-the-floor dressing room allows the walls to act as a merchandise backdrop to apparel and accessories areas. In addition, in apparel, freestanding tubular fixtures have been added to departmentalize the area without incurring the cost of actual wall construction.
- Stronger emphasis is placed on service—part of the chain's new emphasis on the "Zayre Customer's Bill of Rights." More flexible staffing patterns/hours allow clerks to stock shelves before the store opens for business. Also, selected hard-to-handle items have been tagged to let customers know that a salesclerk will help them get the item from the store.
- Reworked domestics presentation groups home textile assortments together by pattern.

Malcolm L. Sherman
President, Zayre Stores

Zayre, Lyons, Ill., uses open, wood frame fixture for fashion display of housewares. Shelves and hooks are tailored to best show off specific item or category such as teapots.
(DSN photo)

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'Billionaire' Bradlees Will Open Six Stores, Remodel 10-12 in '84

Harry Kohn Jr.
President, Bradlees

Exercise gear for ladies and juniors is one of the areas picked for video monitors in Bradlees, Watertown, Mass. Tape shows models dancing in the merchandise for a more "personal sell."

BRAINTREE, Mass.—Bradlees is concentrating on resetting existing stores to match its upscale, shop-oriented prototype, and strengthening its grip on southeastern markets.

After pushing into Baltimore and Washington, D.C., for the first time last year with 13 ex-Memco stores and chalking up 21 new openings for the year, Bradlees passed the $1 billion-volume mark.

Operating earnings from $1.1 billion in sales generated by the 127 units hit $80.5 million, or 6.8% of sales.

This year, the chain is opening only six stores—three in its home state of Massachusetts, two in Maryland and one in Virgina. By year's end, store count will reach 132.

So far, no more multistore acquisitions like the Memco deal have come up for Bradlees. But, management has said it will pursue both multistore buys and single store sites for future expansion. The 446,000-sq.-ft. distribution center opened last year in Edison, N.J., is planned to support the New England-based chain's continued expansion southward, Bradlees executives have said.

In March of this year, two of the six new Bradlees slated for the year opened in Massachusetts. One was a replacement store in Falmouth.

On Aug. 2, a new store opening in Bowie, Md., will push the chain's Washington area store count up to 12. On the same day a new store will also be unveiled in Hampton, Va., making the Bradlees total in the Tidewater-Chesapeake Bay area four.

Later in the fall, a Nov. 1 opening in Glen Burnie, Md., will push Bradlees' Baltimore presence up to three stores. A simultaneous ribbon-cutting in Quincy, Mass., will mark the last of the chain's scheduled openings for the year.

At the same time, Bradlees is stepping up its remodeling schedule to include 10 to 12 of its older units during 1984. Already this year, stores in Watertown, Mass., and Poughkeepsie, N.Y., have been reset and remodeled according to the chain's soft lines-focused and boutique-oriented prototype.

In the 102,000-sq.-ft. Watertown store (one of the chain's largest), the remodel completed last May included a 20% space expansion of the Table Top shop seen in Washington, D.C.

The store also featured the first-time separation of toddlers' wear at the chain; the division of intimate apparel into three distinct categories (robes and loungewear, sleep and daywear and foundations); an upgrade of jewelry merchandise and an expanded Tulip restaurant.

Although some higher-price-point items were added, pricey goods are usually separated from basics by presentation.

With some 60% of total volume from soft lines (wearables plus home textiles), Bradlees is continually refining its fashion merchandise. Tailored men's wear, career wear and home goods were beefed up most recently.

This spring Bradlees was the first discount chain to introduce chainwide the Gloria Vanderbilt Close to Home Collection of textiles for the bed, bath and kitchen.

In April, Sunday circular ads introduced the items priced at the top of the line. Ads in some markets featured radio spots with Gloria Vanderbilt and Mrs. B. In two larger Massachusetts stores—Watertown and Andover—the Gloria Vanderbilt shops included a complete bathroom setup including a tub and a bedroom setup with a full-size bed.

Initial results at most chains with the Vanderbilt line were poor or under expectations. But, Bradlees didn't make any announcement of dropping the line.

As of last year, sales per square foot at full-year Bradlees stores had hit $147 compared to $131 in 1982. Average store sales rached $10.2 million, up from $9 million the year before.

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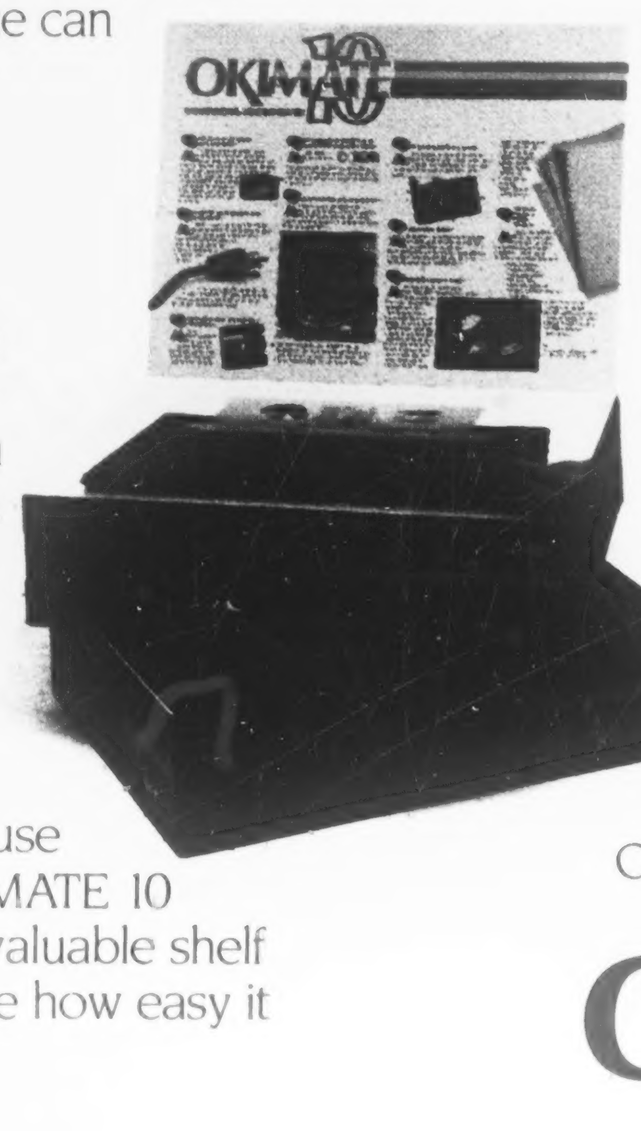

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Norman Ricken
Pres., Toys "R" Us

Toys "R" Us Sets 30 Bows in 1984, Global Operations

ROCHELLE PARK, N.J.—Toys "R" Us (TRU) has conquered 12½% of United States toy sales and now has its sights set on the world.

With 169 units in 26 states, the nation's most powerful toy retailer is continuing its methodical expansion plan of entering one new market per year, adding new stores in existing markets, and extending the TRU concept overseas in several diversifications.

Through this simple and systematic domestic marketing strategy, TRU has more than doubled its net sales in the last five years, moving from $654 million in 1980 to $1.3 billion last year.

Earnings last year rose to $92,317,000, a 43.9% increase from $64,162,000 for fiscal 1982. Comparable-store sales increased 13½% in 1983 and gross margin (as a percentage of sales) was up a point to 33.2%.

These sales levels translate into more than $300 per square foot, almost three times greater than the nation's second largest toy retailer, Child World.

In addition to increasing store productivity this year, the New Jersey-based toy merchant is on schedule with its plans to enlarge its domestic market share. TRU has targeted the Buffalo/Rochester geographic region for its 1985 market debut, a jumping-off point for serving the upstate New York and northwestern Pennsylvania areas.

In 1984, TRU will open 30 new units including a foray into the Cincinnati area with five or six units. The Cincinnati debuts coupled with other "fill-in" openings in existing markets, represent a yearly expansion rate of approximately 20%.

The controlled and well-focused tactics have also been applied to a number of recent global ventures.

The chain will open a unit in Singapore this September, a joint venture with Metro (Holdings) Ltd., a Singapore-based company. Additionally, plans call for the 1984 opening of three to four units in Toronto and a yet undetermined number of stores in Britain in 1985, both through wholly owned subsidiaries.

Plans Aired

The Toronto arrival is being orchestrated along the same lines as the domestic market debuts. The chain will cluster three or four units in the Greater Toronto Area and replenish them with a new warehouse/distribution center serving the area.

Continuing efforts in the Middle East are also expected, where TRU has already provided its technical expertise and buying services to company licensee Alghanim Industries, the largest consumer marketing firm in Kuwait. TRU's assistance includes merchandising, marketing, purchasing and promotion, in attempts to establish a network of TRU "clone" operations in the region.

Domestic and international operations will continue to fine-tune the chain's trademark traits—enormous selection, aggressive pricing, liberal return policy and high-image advertising posture.

Reinforcing its position as a year-round toy supermarket, by offering 18,000 different sku's at 20% to 50% off list price, supported by year-round advertising, the chain spent $23,123,000, 1.7% of sales, to promote that image in 1983. However, as for most toy retailers, more than 50% of total sales traditionally occur in the fourth quarter.

Another constant in the TRU formula has been its 45,000-sq.-ft. cookie-cutter prototype, which has recently undergone its first change in several years.

Interior renovations, completed in May, added approximately 2,500 extra square feet to the 25,000 sq. ft. of selling space for a more extensive presentation of larger, big-ticket

(Continued on page 56)

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2 New Prototypes to Be Tested

Pay Less to Jump $1 Billion Sales Hurdle in 1984

E. B. Hart
Chmn., Pres., Pay Less

WILSONVILLE, Ore.—Pay Less will break the $1 billion sales barrier in 1984 while it tests two new store prototypes.

When the company's current fiscal year ends on Jan. 31, executives project sales will total $1.083 billion, up from $958 million in 1983. Pay Less will also have 11 new stores, plus a revamp of a 30,000-sq.-ft. conventional store in Portland into a deep-discount drug format. The chain will also test a 10,000-sq.-ft. mini-store later this year near its Wilsonville headquarters south of Portland.

With California targeted as its major area of expansion, Pay Less has begun construction of a new $22 million distribution center in Stockton, near Sacramento. Completion of the 730,000-sq.-ft. center is scheduled for next spring. Company officials say the facility will have the capacity to service 150 stores in northern and central California, twice the present store count in those regions. Seven of the chain's new stores will open in those regions this year.

The Background

In 1983, 61% of the merchandise sold in the 149 Pay Less stores passed through the company's present distribution facilities in Wilsonville. This volume overtaxed the company-owned, 708,000-sq.-ft. central warehouse, necessitating leasing an additional 400,000 sq. ft. near Portland. With the opening of the new distribution center next year, Pay Less will terminate that lease.

Although store size range up to 68,000 sq. ft., the typical Pay Less unit is a 30,000-sq.-ft. unit devoted to hard lines, drugs and toiletries. The new 10,000-sq.-ft. prototype, developed to enable the chain to open in small trading areas, will have a more traditional drug store merchandise mix. The small store will drop such hard lines as automotive supplies and hardware as well as low-margin, traffic building grocery items. They will, however, have a pharmacy as well as over-the-counter medications, greeting cards, housewares and cosmetics.

Primarily because of the elimination of highly promotional groceries, chain executives expect gross margins in the new prototype will exceed the average of 28.8% in its conventional stores.

The deep-discount store format was chosen as a second experiment rather than a membership warehouse concept. Warehouse-type retailing has been very successful in some areas, but reportedly was rejected by Pay Less because a very high-volume location is paramount and good potential sites are relatively difficult to come by.

The test store for deep-discount retailing opened earlier this month on the east side of Portland under the Value Giant banner—a name acquired by Pay Less when it took over a small California chain in 1976.

The move was seen as a defensive measure against other chains opening similar deep-discount stores in the West.

Pay Less, which substantially increased profits through the severe recession in 1981 and 1982, even though sales were virtually flat, put together an 8.7% sales increase and 27.6% increase in net profits to $24.7 million in fiscal 1983.

Toys "R" Us

(Continued from page 54)

items like bicycles and juvenile furniture.

Additionally, the chain will be testing a new UPC scanning price lookup system, as well as credit authorization via electronic registers.

Two New Jersey units were fitted with a data collector and processor by National Semiconductor this past Christmas, which were used in conjunction with its electronic registers.

Besides credit authorization, the computer offered several other programs including price look up, tracking of checkout clerk productivity and a quicker generation of consolidated sales information that lists sku's in sequence. Sales information is now sent two-thirds faster than the batch transmission of the older collectors used by the chain.

Kids "R" Us, the fledgling children's apparel division, will continue to receive its parent's full support. Charles Lazarus, chairman and chief executive officer of TRU, recently reaffirmed that "Kids "R" Us is not a test" and he expects to see its first profits as soon as more units are up in operation.

Although losing an undisclosed amount of money in its first year, Kids "R" Us will add two new units this summer and up to four stores this fall, bringing the chain total to 10 units.

Service Mdse. Expands Showrooms, Home Centers

ARE YOU READY TO ORDER? ask SILENT SAM
1
2
3
4
SERVICE MERCHANDISE
Catalog Showroom

Service Merchandise is installing Silent Sam, a company-developed, customer-operated computerized ordering system, shown in its Pompano Beach, Fla., store, in most showrooms to improve store productivity. *(DSN photo)*

NASHVILLE—Catalog showrooms and warehouse home centers are the two players in Service Merchandise's future growth plans, with the showrooms the vehicle for the company's endeavor to become the first national cataloger.

The diversified company's expansion program could see 20 to 25 new showrooms being unveiled this year and a like number in 1985.

In its other main operation 12 to 18 HomeOwners Warehouse home centers are projected for this year to give the company as many as 20, with similar growth due next year.

Diversification moves during the past two years into jewelry and gift merchandising with two Zimm's stores; apparel retailing through three The Lingerie Stores, and computer selling in eight The Computer Shoppes are all on hold, with significant expansion of any of these operations considered highly unlikely, sources said.

The showroom expansion has seen the company open seven units so far, with another 10 already set for the fall. They included entering the Greater Los Angeles Area for the first time for three units less than 60 days ago. (The cataloger already has six units in northern California.)

The move into southern California is part of Service Merchandise's effort to establish a major presence in the Southwest. It followed the cataloger's invasion of New Mexico as its 32nd state, with the spring opening of an Albuquerque showroom.

This fall, Service Merchandise will debut in Arizona, its 33rd state, with two units in the Greater Phoenix Area. Last year, the cataloger entered four new states.

The move into the Southwest leaves the Pacific Northwest and the North Central States as the last two regions devoid of Service Merchandise showrooms.

The moves into Albuquerque and southern California, along with the scheduled openings in the Greater Phoenix Area, mark Service Merchandise's latest direct confrontation with Best Products for the top spot among showroom chains. Service Merchandise has higher earnings, but Best leads in sales and number of stores.

Any Service Merchandise moves into the Pacific Northwest and the North Central States regions would heighten this battle, as Best already operates almost three dozen showrooms in these areas under three different chain logos.

The two catalogers currently face off in eight markets, with Service Merchandise's planned rapid growth over the next few years seen as eliminating the gap in stores.

The cataloger is well prepared financially to maintain its growth which last year saw it open 19 showrooms to reach 158 as it boosted earnings by 42% on a 22% sales increase.

Volume in the fiscal year ended Dec. 31, 1983, amounted to $1,458,089,000, compared to $1,195,283,000 in the previous fiscal year. Net income went to $44,869,000 or 3.1% of sales from $31,569,000 or 2.6% of sales.

DSN projects company sales this year will amount to about $1.8 billion, up around 24%, reflecting both a maturing of the large number of showrooms opened during the last two years through December 1984 and the impact from the HomeOwners Warehouse arm.

Key to the company's strong earnings performance can be found in improved gross margins (as a per cent of sales), which went up 2.2% to 23.3% from 22.8%, along with a tight rein on S.G.&A. (as a per cent of sales), which rose only 0.5 percentage points from 14.7% to 15.2%.

The gross margin figure was the highest in five years and denotes the greater focus on—and resulting sales of—such higher profit merchandise as jewelry and giftware.

Service Merchandise's buying clout is evident from the fact that vendors financed a $92.3 million increase in inventories.

Inventories went up 36.3% to $346,695,000 from $245,341,000. Vendors' financing of inventories in the form of accounts payable showed a greater increase, going up 75.6% in dollars to $233,040,000 or 67% of inventories, from $132,731,000 or 52% of inventories.

The sharper financial inventory management helped generate more idle funds which the company used for temporary investments. This produced $5,511,000 in other income, a 72.3% jump from $3,222,000.

The increased S.G.&A. was due to two factors: substantially higher advertising costs, particularly in the fourth quarter, to battle the increased promotional stance of other hard lines retailers, and the staff start-up costs for this year's projected rapid expansion of the HomeOwners Warehouse arm. HOW was acquired last summer just after it opened its first store for 633,000 shares worth about $13.6 million. Another unit was subsequently opened under the cataloger's ownership.

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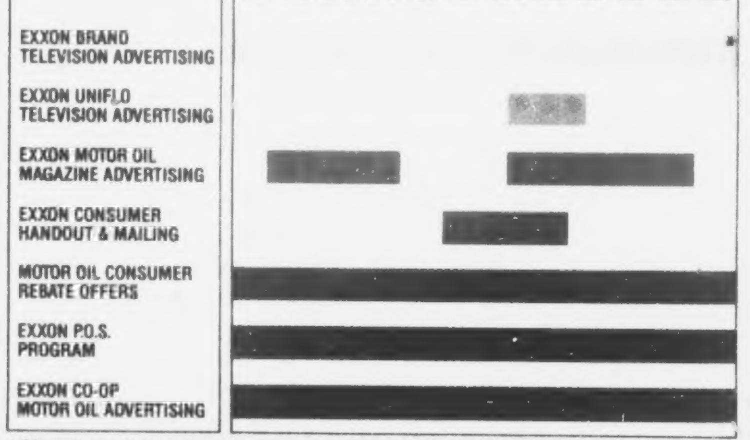

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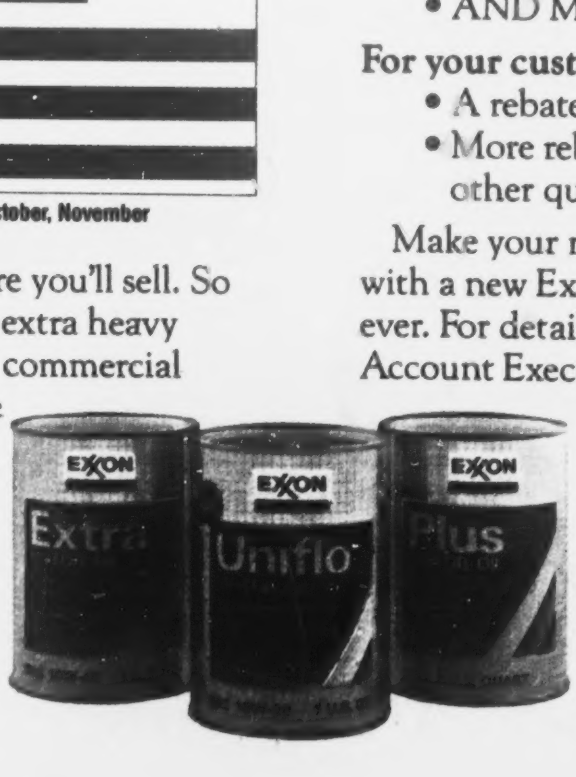

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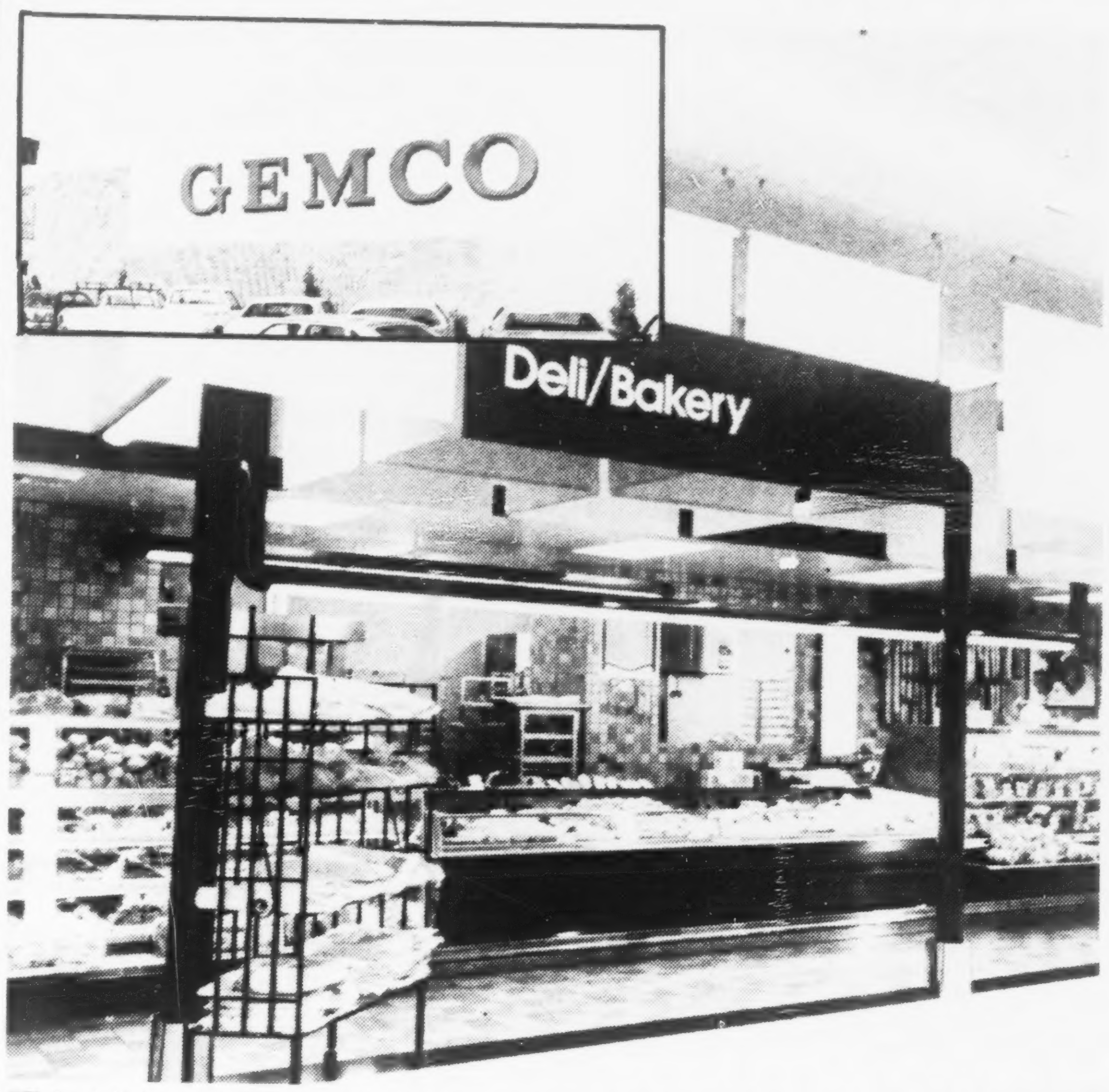
CENSUS '84/'85

New Prototype Is Evolving To Refocus Gemco Identity



This high tech deli/bakery counter, located at the front of the store, is being tested in Gemco's "store of the future" prototype in Villejo, Calif.
(DSN photo)

BUENA PARK, Calif.—Having spent most of the last two years consolidating its market position, Gemco is working now to refocus its identity in its existing West Coast markets.

At the heart of the $2 billion chain's plans for its future is an evolving new prototype store—a half-dozen preprototype units have opened with some stage of the new design over the past 18 months—which calls for department adjacencies organized along more logical customer shopping patterns rather than according to buying functions; centralized checkouts that replace departmental registers, and improved assortments in soft lines.

The new look also works to call attention to chain strengths that in older units may not be as apparent because of poor presentation or multiple locations of a single category. Consumer electronics, for example, in older units located in three discrete areas, has been relocated to one single location dubbed Electronics World in the new stores.

The chain has also consolidated ladies' accessories into a single area with jewelry, which has been given a prime location at the rear of women's wear in the prototype.

Another important facet to "the store of the future" concept is the consistent look from department to department. In the past, each merchandise area eminated its own distinct image. In its newer units, there is a uniform look to interior design colors and department signings.

This accompanies other traditional upscaling improvements of a new race track format, fashion fixturing and carpeted apparel areas, all seen in the prototype.

Since shuttering its East Coast Memco division in late 1982 and closing six unprofitable units in Houston following the Christmas '83 selling season, the 76-unit chain has established a new top management.

Sales for 1983 rose 1% to $2.135 billion from $2.113 billion in 1982. Comparable-store sales increased 8% in the last fiscal year and the West Coast discounter accounted for one-quarter of the total sales of food giant parent Lucky Stores.

The membership-only chain will add three units by year's end, bringing the Gemco total to 79. The three additions, all in the California area, will continue the evolutionary fine-tuning of its "store of the future" concept.

One of the key operational changes currently under way is a move to computerize the checkout process which is allowing the chains the flexibility to add more centralized registers to the stores.

In older units, merchandise must be paid for in the department where the item was bought; chain plans call for all goods, including food from in-store supermarkets, to be paid for at a single register.

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Caldor Seen Running Smoothly as It Seeks Chief Exec

SMALL APP
CALDOR

Caldor, which generates 70% of its volume from hard goods, gives housewares and home furnishings prominent space and fashion display attention, as at year-old Lake Ronkonkoma, N.Y., unit. *(DSN photo)*

NORWALK, Conn.—Caldor is in the market for its third chief executive in 1984, but observers are confident that the subsidiary of Associated Dry Goods (ADG) will not be slowed by the vacancy at the top.

This was the year that founder Carl Bennett was scheduled to retire, having sold the thriving discount chain to ADG in 1981. As expected, Bennett left on May 31 and David P. Williams III moved from president and chief operating officer to chairman and chief executive officer. Unexpectedly, however, ADG's chairman was forced by a long illness to step aside and management changes at the parent company in mid-June resulted in Williams becoming president and heir-apparent to the ultimate top spot.

"Without Carl Bennett or Williams, Caldor loses its conceptual wizardry," said Stuart Robbins, a retailing analyst for Donaldson Lufkin and Jenrette. However, Robbins and other Wall Street observers stressed that Caldor is blessed with strong second-line management to keep the discount chain running smoothly until a new chief executive is named.

"Caldor is a great organization and the momentum will continue," said Walter Loeb of Morgan Stanley. "It has dynamic growth potential because of the way Carl Bennett trained his people. They are very excellent merchants."

More Stores

Long one of the most consistently successful discounters, Caldor continues to plan for growth. After shattering the $1 billion sales mark last year, reaching approximately $1.1 billion, the chain is expected to increase sales in 1984 by 18%-20%. The store count reached 100 in the spring, and a total of eight new stores in 1984 will give Caldor 103 at year's end. Baltimore and Long Island, new markets in 1983, will each get two new stores this year, with the other four opening near Boston and Albany, N.Y.

While chain officials would not comment, Loeb predicted that ADG will in the future attempt to expand Caldor even further from its New York-Boston corridor base. In penetrating Baltimore, Caldor took over sites formerly occupied by another ADG division.

Construction of a new 520,000-sq.-ft. distribution center in North Bergen, N.J., is virtually complete. Nearly twice the size of its eight-year-old warehouse nearby, which will be closed, the new center has the capacity to service 200 stores. The 300,000 sq. ft. first level will process hard lines while pallets of soft goods will occupy the 150,000 sq. ft. second level; hanging garments will be held on the 70,000-sq.-ft. top floor.

Caldor executives have repeatedly said they wish to reduce the dominance of hard lines sales. Industry watchers, however, say this will require a "herculean" effort and predict that achievement is likely to be slow in coming, particularly now that both Bennett and Williams are gone. The present ratio of hard lines to soft lines is 70/30. The chain's stated goal is to reach a 65/35 ratio.

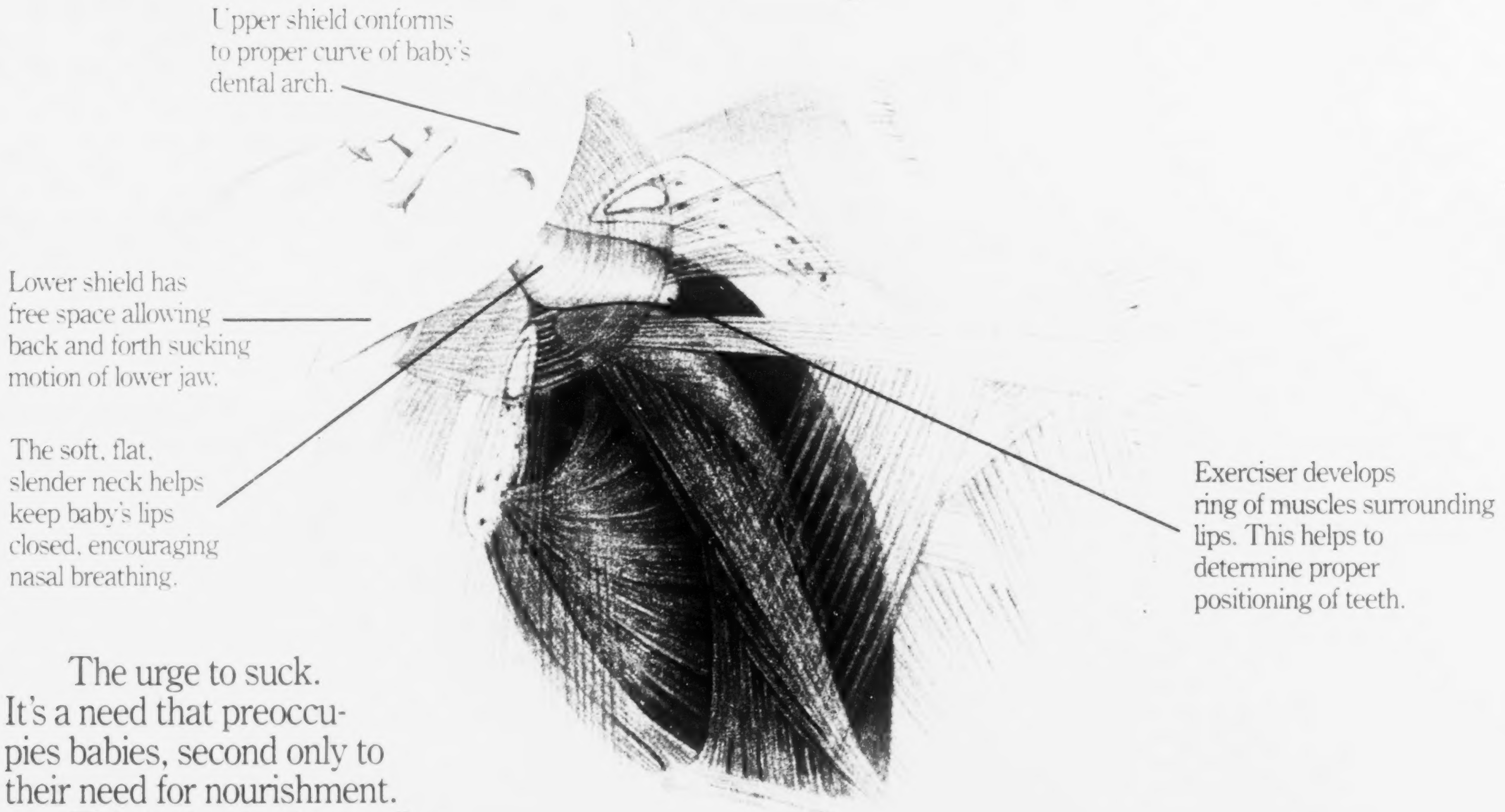
A Closer Look

Although Caldor officials would not comment, outsiders predict the next chief executive will likely have a strong track record as a merchandiser, as did Williams, preferably from discounting or some other mass-distribution retailing. Robbins said it is a "matter of some urgency" to ADG to replace Williams. Robbins, Loeb and a third analyst who wished not to be identified agreed that the selection may take many months.

A further complication, according to Loeb, is that more management changes at ADG can be expected in the not-distant future. He viewed the appointment of Joseph H. Johnson, 62, as ADG chairman as an interim measure, with Williams likely to succeed in less than three years thereby creating another vacuum.

The problem of increasing soft lines sales, which the new chief executive will inherit, will be difficult to solve. Historically, Caldor has relied almost totally on its Marc Robbins label in apparel, attempting to lure customers with a high value-lower price message rather than apparel. The lack of continuity of merchandise overshadowed the potential traffic draw.

How to satisfy a baby's second strongest hunger.


Upper shield conforms to proper curve of baby's dental arch.
Lower shield has free space allowing back and forth sucking motion of lower jaw.
The soft, flat, slender neck helps keep baby's lips closed, encouraging nasal breathing.
Exerciser develops ring of muscles surrounding lips. This helps to determine proper positioning of teeth.

The urge to suck.
It's a need that preoccupies babies, second only to their need for nourishment.

This "stimulus hunger" as it's referred to, is so strong that doctors, using fluoroscopes, have observed sucking action in fetuses.

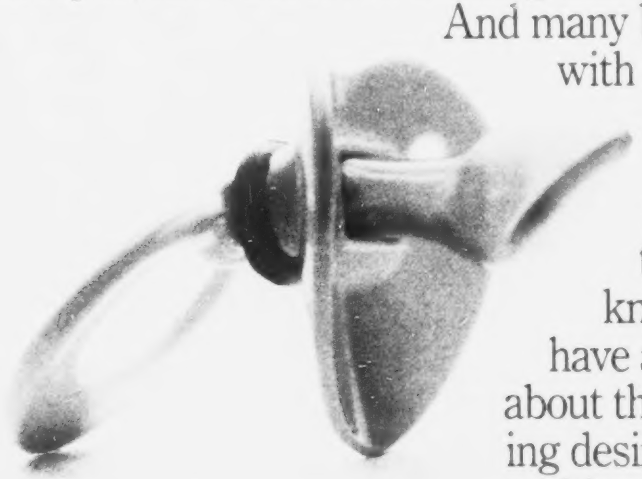
And many babies are born with calloused fingers and thumbs.

So, why are we telling you this? Because we know new mothers have a lot of questions about their babies' sucking desires. And if you're stocking pacifiers, we think you should consider ours very seriously.

The NUK® Orthodontic Pacifier-Exerciser is the top choice by mothers in America and Europe. And there are good reasons why.

The NUK Pacifier-Exerciser is the original orthodontic pacifier, with a shape designed to simulate a mother's breast during feeding.

You see, if properly developed, the ring of muscles surrounding the lips will lay against the teeth helping to determine the right positioning.



NUK Pacifier-Exerciser is the original orthodontically shaped pacifier.

The NUK Pacifier-Exerciser allows muscles to grow in balance, while it satisfies that important sucking urge.

Mothers are more concerned and more informed than ever before about the oral development of their babies. More and more mothers are recognizing the benefits of NUK products. If you're not stocking the complete NUK line, you could be limiting your sales potential in this category.

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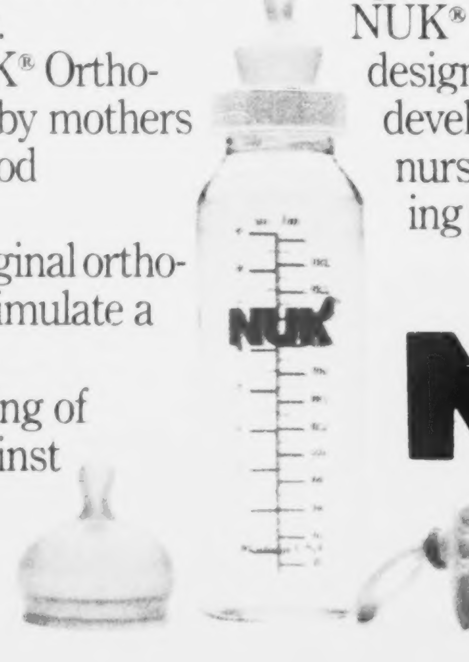
The NUK Orthodontic Pacifier-Exerciser is designed to be similar to the shape of a mother's breast during feeding.



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Three Retail Operations to Fuel Best Products' Growth

Andrew Lewis
Chairman, ceo, Best

Best beefs up children's wear with additional merchandise in an expanded section in its Shillington, Va., MegaStore as part of effort to increase sale of higher-margin categories. *(DSN photo)*

RICHMOND—Best Products is banking on three different retail operations to fuel the diversified cataloger's future growth: showrooms through seven different chains; Ashby's apparel specialty stores, and Best Jewelry jewelry and giftware units.

Catalog showrooms remain the core of Best's business and eight such stores are due to open this fall, one under the La Belle's logo and seven under the Best name, with an eighth Best replacing a smaller unit.

This growth will push Best's overall showroom count to 204, the most of any cataloger.

Ashby's is due to unveil 14 new stores this year, with two replacing smaller units, to raise that specialty retailer's count to 30, almost doubling the chain's size over a two-year period.

A half-dozen-plus Best Jewelry stores are projected as the company builds on its jewelry merchandising strength to go after this specialty retailing market. This operation was launched last year with four units.

That the catalog showroom arm still drives Best is evident from a major management restructuring the company carried out two months ago.

That move saw the company's three merchandising arms combined into a retail group, with Bernard Cohen, head of cataloger Consumers Distributing (United States), named executive vice president of Best and president of its retailing operation.

He will directly manage the seven showroom chains and oversee the two specialty arms which continue under Richard T. Riley, senior vp, who now reports to Cohen.

Personnel Change

The management restructuring included Andrew Lewis being promoted to Best board chairman and chief executive officer. His successor as president and chief operating officer is Robert E. R. Huntley, who had been executive vp and president of what had been just the catalog showroom division.

The management changes set Lewis free to map out the company's future direction and where it should be five and 10 years from now. Huntley, whose strength is executive administration, will now handle Best's nonretailing management functions, including future diversifications, while Cohen will focus on the core showroom operations.

That challenge facing Cohen is to complete the integration of Modern Merchandising (and its six chains), acquired 18 months ago, into Best, while also streamlining and strengthening the resulting showroom operation that now extends into 27 states (15 added through the acquisition).

Cohen, who has made a reputation turning around troubled companies, is expected to reduce the regional showroom operation into fewer regions and continue the trend to greater centralized merchandising.

The company this year has, for the first time, completely produced its own catalog, which will be used by all seven chains, albeit with each chain's own logo on the cover of the books distributed in its markets. More than 10 million catalogs will be distributed.

The need to sharpen the showroom operation can be found in the lower net income reported by the company—as compared to Service Merchandise, its rival for the top spot among catalogers—along with Best's higher expenses and lower return on equity last year as measured against previous years.

Best has already set as goals increasing its return on equity as well as boosting the net-to-sales ratio to 3%, a level last achieved about four years ago. Last year it was 1.8%.

Figures Analyzed

The fiscal year ended Jan. 28, 1984, marked the first full year in which Best operated its own showrooms and the acquired Modern Merchandising chain. Sales last year amounted to $2,081,328,000, up 31.6% from $1,581,650,000. But, the later volume covered Modern Merchandising only since its acquisition by Best. If Modern Merchandising's volume for a full year was included, then Best's sales would only show a 5.9% gain.

Net income last year amounted to $37,087,000, up 28.7% from $28,820,000 (which also involved Modern Merchandising only from the time of its acquisition).

Gross margin (as a per cent of sales) was 26.4%, compared to 24.6% for the previous year, while S.G.&A. (as a per cent of sales) was 18.5% as compared to 17% in the previous year. Return on equity was 10%, down from 11.3% in the previous year.

The showrooms account for all but a negligible portion of the company's sales, expenses and earnings, so that improvements in this operation will have a major impact on Best's bottom line regardless of how well Ashby's and Best Jewelry perform.

Best's commitment to expand those specialty retailers, especially Ashby's, denotes their potential foreseen by the company. However, Best is still open to further diversification, particularly of businesses that can successfully stand alone, rather than involving a major nonfinancial investment in such areas as company personnel.

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MERCHANDISING PROFILES

LIGHTING EQUIPMENT

General Merchandise Sales in Discountland: $110.1 Billion For 1984

(in billions of dollars)

Ladies Apparel	18.5
Consumer Electronics	10.3
Men's/Boys' Wear	10.3
Automotive	8.7
Housewares	6.9
Toys	6.9
Health & Beauty Aids	5.6
Sporting Goods	5.0
Hardware	4.9
Jewelry	4.6
Domestics	4.4
Photo/Cameras	3.6
Personal Care Electrics	3.1
Electric Housewares	2.3
Stationery	2.1
Paint	1.8
Glassware	0.8
Other	10.2

Source: DSN *Research*

Full-line Discount Store Productivity Tracked

Category	Discount Volume in Billions	Sales Per Store in Thous.	Dept. Size	Annual Sales/ Sq. Ft.	Annual Turns	% Initial Markup	% Gross Margin
Women's Apparel	$14.3	$1,763	10,000	$176	4.6	48.0	37.2
Men's & Boys' Wear	8.2	1,011	7,690	132	3.4	44.6	36.0
Housewares	6.3	777	5,770	135	3.2	41.1	30.2
Consumer Electronics	5.9	728	2,300	316	3.2	31.4	19.4
Health & Beauty Aids	5.6	691	3,150	219	4.5	26.0	20.5
Automotive	5.2	641	2,300	279	2.6	34.9	28.7
Hardware	4.8	592	3,210	184	2.4	41.9	32.1
Toys	4.1	506	2,500	202	3.1	36.5	28.4
Sporting Goods	3.8	469	2,500	187	2.0	36.8	26.9
Photo/Camera	3.3	407	675	603	3.2	24.5	16.6
Domestics	3.2	395	3,130	126	2.5	43.4	35.3
Personal Care	2.9	358	850	421	3.3	30.4	20.0
Stationery	2.1	259	1,850	140	3.5	46.7	40.1
Paint	1.8	222	1,250	178	2.4	43.9	35.2
Electric Housewares	1.7	210	880	238	3.4	33.2	21.4
Jewelry	1.4	166	575	290	1.8	49.9	37.7
Glassware	0.7	80	620	129	4.0	40.7	34.9

(Source: DSN *Research)*

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Stationery 104
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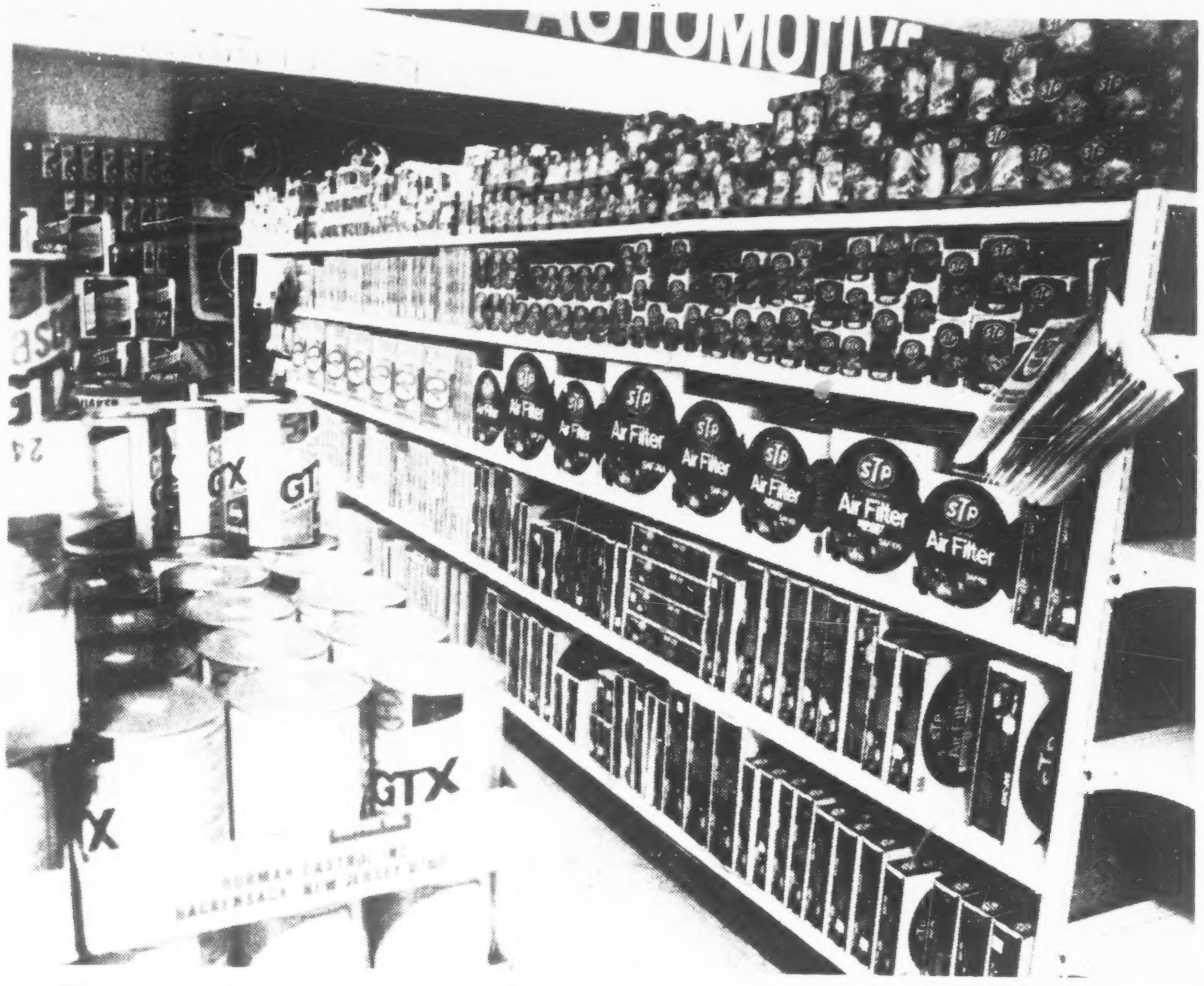
Automotive: $8.7 Billion

• **Full-line Discounters**	$5.2B
• **Specialty Discounters**	$3.4B
• **Catalogers**	$0.1B



Full-line Discount Store Productivity

• **Sales**	$5.2B
• **Sales per Store**	$641,263
• **Department Size**	2,300 Sq. Ft.
• **Annual Sales per Sq. Ft.**	$278.81
• **Turns**	2.6
• **Initial Markup**	34.9%
• **Gross Margin**	28.7%

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Car-Volume Boom Spurs Accessories

Nationwide DSN Report

Discount automotive departments and auto chains are reaping the benefits of resurging new-car sales and benefiting from the growing number of older cars still on the road.

Last year, for example, over eight million new cars were sold in the United States, the second straight year of strong sales since the recession. To ease the sticker shock of the higher prices on cars, manufacturers are shipping them with fewer accessories, creating sales oportunities for discounters in areas like seat covers, floor mats, wheel covers and decorative trim.

These market changes will help add $400 million to full-line discounters' sales for a projected total of more than $5 billion by year's end, and will help propel the specialty automotive discounters past the projected $3 billion sales mark.

Stable gasoline prices, besides spurring extra driving, are also helping to resurrect sales of high-performance and speed equipment as car owners come back to dressing up their cars.

These segments, however, are being taken over by the specialty chains more than the full-liners.

In accessories, some of the strongest growth is expected in seat covers. Chains anticipate 20% to 25% sales growth this year in models ranging from low-end vinyls, priced below $10, to sheepskin and simulated sheepskin, priced as high as $60.

Sales growth is also expected in wheel covers. The best sellers include plastic and wire models, priced in the $12 and $20 areas, respectively.

Other decorative accessories expected to flourish this year are imported car mirrors, exterior trim and electric radio antennae. Recent lowering of retail prices from $39.99 to $19.99 following technological innovations are expected to boost the latter's sales dramatically.

(Continued on page 70)

Car customizing assortments, as at Bradlees' newly renovated Watertown, Mass., store, make a sporty appeal to the young-at-heart. Several styles of wire wheel covers are displayed. *(DSN photo)*

As advertised
LAYAWAY TODAY
Poly Shell

Discounters' car care assortments have been widening with the increasing age of the average car. Ames, Westport, Conn., contains an 8-ft. section with no fewer than 37 waxes, sealants and cleaners.

Automotive

(Continued from page 68)

At the same time, chains expect sales of speed equipment and other high-performance gear to bounce back as gas prices stabilize. At least one specialist has begun carrying such items as turbo mufflers, headers and carburetors.

The high percentage of older cars on the road, coupled with the high cost of car repairs, has made the DIY hard parts business blossom. Said one chain executive:

"There's nothing the average person deals more with and knows less about than cars. The longevity of cars, the expense of repairs and the price of cars are driving shoppers into the auto specialty stores with do-it-yourself efforts."

Interest Is Building

The growth of the DIY hard parts business has prompted discounters to consider the category. K mart, for example, recently reworked its merchandise mix in four Alabama stores to include hard parts, sold over the counter for the first time.

In other basic categories, batteries are expected to grow by 25% in sales this year, following a spectacular year in 1983 caused by foul winter weather throughout much of the country. To help achieve this objective, some chains, like K mart and Richway, are relying exclusively on high-margin private label batteries. Others, like T.G. & Y., are getting behind single nationally known brands like Delco Freedom 40's.

Development Anticipated

In waxes and polishes, chains will be looking for 10% to 25% sales gains after they cut by up to 50% their assortments of polymers and gimmicky products like spray wax and minute wax in favor of mainstays like J-Wax and Turtle Wax.

One of the more dramatic changes to occur in the automotive aftermarket in some years was the decision by the leading motor oil suppliers to change their packaging from cans to quart-sized narrow-neck plastic jugs that enable motorists to pour oil directly into their crankcases without spouts for funnels.

Discounters expect this move to raise retail oil prices and to eventually cut into the high-margin spout and funnel business. Still, oil is expected to remain the auto department's promotional mainstay.

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EXCEEDS THE NEED

Housewares: $6.9 Billion

- **Full-line Discounters** **$6.3B**
- **Specialty Discounters** .... **N.A**
- **Catalogers** **$0.6B**

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Full-line Discount Store Productivity

Sales	**$6.3B**
Sales per Store	**$776,915**
Department Size	**5,770 Sq. Ft.**
Annual Sales per Sq. Ft.	**$134.65**
Turns	**3.2**
Initial Markup	**41.1%**
Gross Margin	**30.2%**

Microwave Cookware's Sales Grow

Nationwide DSN Report

Heightened fashion thrusts, wide-scale price stability and the surging popularity of microwave cookware, space-saving and electronic appliances will keep housewares departments as a growth leader in 1984.

Housewares sales are expected to rise to $6.3 billion this year, up from $5.9 billion a year ago. On a store-for-store basis for full-liners, that increase translates into almost $50,000 in additional sales per unit, to $776,915—from a department whose average size remained stable.

Initial markup is rising this year from 40% to 41.1%, though turns are slowing, at 3.2 compared with 3.4 a year ago. Gross margins are also dipping, to 30.2% from 31.5% in 1983.

Chain efforts to boost department productivity are characterized by the introductions of upgraded lines and layered price points, more cross-merchandising and color coordination, the use of higher fixtures and tighter planogramming.

K mart's Kitchen Korners, slated to double to 1,100 stores by the end of this year, involve most of these strategies—and have resulted in impressive 40% same-store sales gains and overall gross margin improvements of 1½% in revamped departments.

Murphy's Mart, Bradlees and Roses are among other chains evolving their housewares departments to spark greater performance—though they're doing it in ways that broaden customer appeal without neglecting the basic opening price point shopper.

"We try to capture two different customers," said a Murphy's Mart buyer, "one who wants the department store item at a discount price and our everyday average customer who wants inexpensive."

To do that in cookware, for example, Murphy's Mart has layered $79 Club Aluminum and Revereware stainless sets

(Continued on page 77)

SALES BUILDER

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HOME & ICD
YOUR PARTNERS IN PROFIT.

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Microwave Cookware's Volume Grows

(Continued from page 75)

on top of its 1983 best seller—a $27.99 seven-piece aluminum set.

The chain is also color-coordinating its cookware, kitchen textiles and accessories to build impulse sales and add excitement to displays.

At Bradlees, low-end kitchen basics are displayed in gondolas, while items such as $30 tea kettles, patterned cookware sets and kitchen textiles are shown more boldly on direct-lit colored fashion walls. Bradlees earlier this year reintroduced microwave ovens selling in the $200 range, and cross merchandise them prominently with microwave cookware and carts.

Roses recently began testing its version of improved presentation with Kitchen Nooks in 20 stores.

One of the fastest growing segments of cookware for discounters and catalogers is microwave accessories. However, many merchandisers are undecided where to place the products—whether to put them with conventional cookware or cross merchandise them with the ovens directly. Cataloger L. Luria & Son does both, depending on the layout of individual showrooms.

S. E. Nichols, which has placed its microwave cookware with its conventional merchandise, tested the lines mixed among the ovens in a special promotion recently. After evaluating results, the chain may display the cookware in both locations permanently, a spokesman said. Ames already has decided to use both locations—putting microwave accessories with conventional cookware in older stores and with the appliances in later prototypes with success in both instances.

A Step Forward

With sales gains of up to 40% in microwave cookware predicted for 1984, some merchandisers say the category is so hot that location isn't important. "It doesn't make a difference where it is," a Clover spokesman said. "We've found it's more convenient for customers in cookware, but if someone wants it, he'll find it."

Dinnerware, too, has received upgraded presentations to display trade-up lines to best advantage. Newcor stoneware sets in the $20-$40 range for service-for-four has breathed new life in dinnerware at Gemco. "New colors with an emphasis on pastels and bold designs in stoneware are certainly helping us break with the conservative past," a spokesman said.

While other chains, including Roses and Richway, also are basing their fashion image on stoneware, Murphy's Mart has also added porcelain china. Sabin 20-piece sets at $25 are currently being retailed and a 45-piece set that would sell in the $40-$50 range is being considered.

Still, basic Corelle has seen an upsurge in chains, including Zayre, Ames and Clover, in large part because of 1984 price reductions. "We've experienced a total rejuvenation in Corelle since they lowered prices. It wasn't worth promoting before," an Ames spokesman said. A 25% drop in the sale price—from $19.99 to $14.99 for a 16-piece set—has helped fuel a fourfold gain for the chain's Corelle sales.

Fashion trends are somewhat trickier to exploit in departments outside the kitchen, such as KD furniture. Many chains feel that KD is too volatile to safely go into in a big way. A cautious Fishers Big Wheel merchandiser observed, "Since portions of KD are trendy, how long will it be before something else comes along to replace it?"

Among the KD top movers currently are microwave oven carts, Americana-look hutches, computer desks, flip foam furniture and entertainment centers. While consumers are buying—in recognition of KD's value and improved general quality—these lines eat up large amounts of floor space.

Promising Area

Nonetheless, Jamesway is banking on high-quality KD to help lure more affluent customers into its stores. Increased advertising and better presentation on side chairs and brass and glass tables will be key items in the effort. "I think we've just scratched the tip of the iceberg," a Jamesway spokesman said. "I see the business moving into items that only furniture stores carry now."

Merchandisers express more unanimity about small electrics, expecting consumer demand for newly refined updates on old standards to be strong across the board. The uneasiness in this category is whether supplies will be sufficient to meet demand on key items.

Cordless and electronic irons, hand-held vacuums and especially space-saving kitchen electrics are among the hottest items in the category.

In 1983, when Black & Decker broke open the hand-held vacuum field with its Dustbuster, supply problems were acute for many discounters and catalogers. As a result, many chains, including Service Merchandise and Gold Circle, added offerings from Norelco, Douglas and other vendors.

However, the 1984 crunch is likely to be felt in wall-mounted and undercabinet kitchen electrics—especially those with the G.E. brand. Enormously popular, the small appliances already have been difficult for some retailers to get and may be in very short supply by the fall gift-giving season. This prospect causes merchandisers to be very uneasy about scheduling promotions.

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WOK SET
WOK SET
WOK SET
WOK SET
WOK SET
WOK SET
WOK SET

Murphy's Mart, Robinson Township, Pa., focuses on name brands, spotting nationally known logos and merchandise illustrations on an overhead display in the housewares department. *(DSN photo)*

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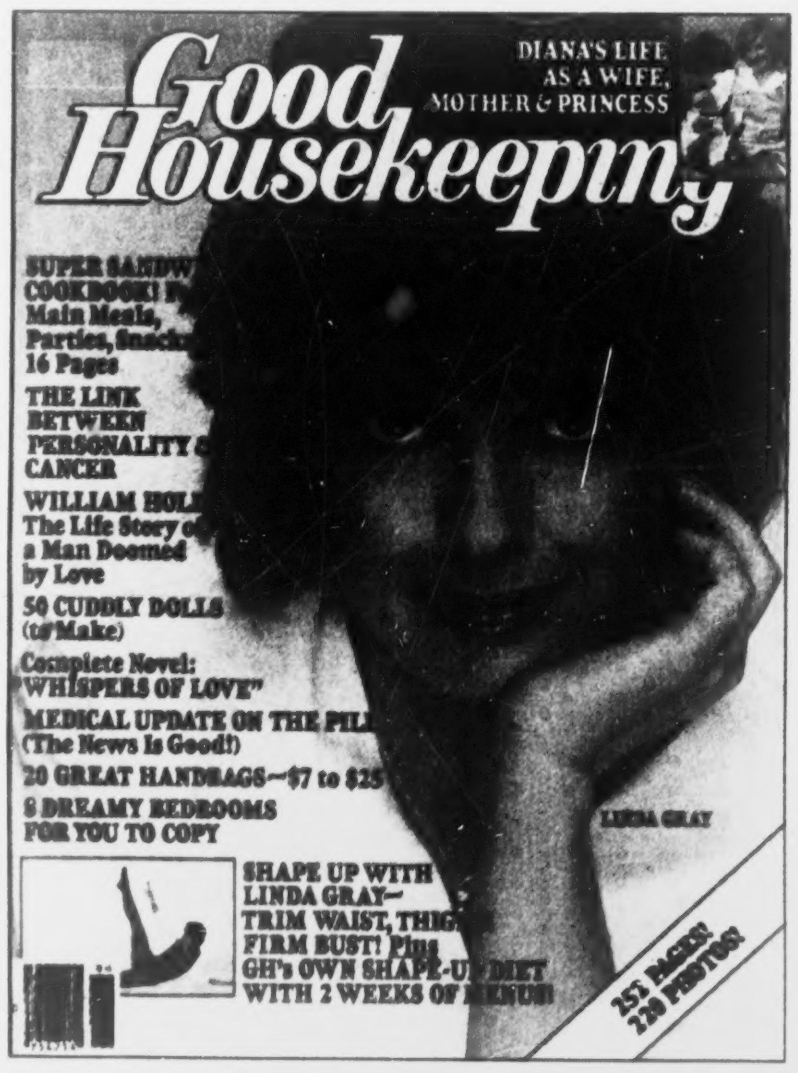
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DIANA'S LIFE AS A WIFE, MOTHER & PRINCESS
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16 Pages
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Electric Housewares: $2.3 Billion

Full-line Discounters	**$1.7B**
Specialty Discounters	**NA**
Catalogers	**$0.6B**

NORELCO
NORELCO
GLASS CARAFE
NORELCO
Poly-Hot Pot
MR. COFFEE

Full-line Discount Store Productivity

Sales	**$1.7B**
Sales per Store	**$209,644**
Department Size	**880 Sq. Ft.**
Annual Sales per Sq. Ft.	**$238.23**
Turns	**3.4**
Initial Markup	**33.2%**
Gross Margin	**21.4%**

Items That Save Space Are Gaining

Nationwide DSN Report

Consumers are in an expansive mood, housewares merchandisers believe, willing to spend more on a fashion image and for space-saving small electrics.

To capture more of this free-spending market, discounters have spruced-up their own in-house presentation to provide a more appropriate backdrop to display new trade-up products. Among the chains emphasizing fashion in 1984 are T.G. & Y., Fishers Big Wheel and especially K mart with its Kitchen Korner concept.

Typically, space-saving electrics cost $10-$15 more than their conventional counterparts. With consumers less price-conscious than in recent years, merchandisers are less inclined to erode margins by footballing prices.

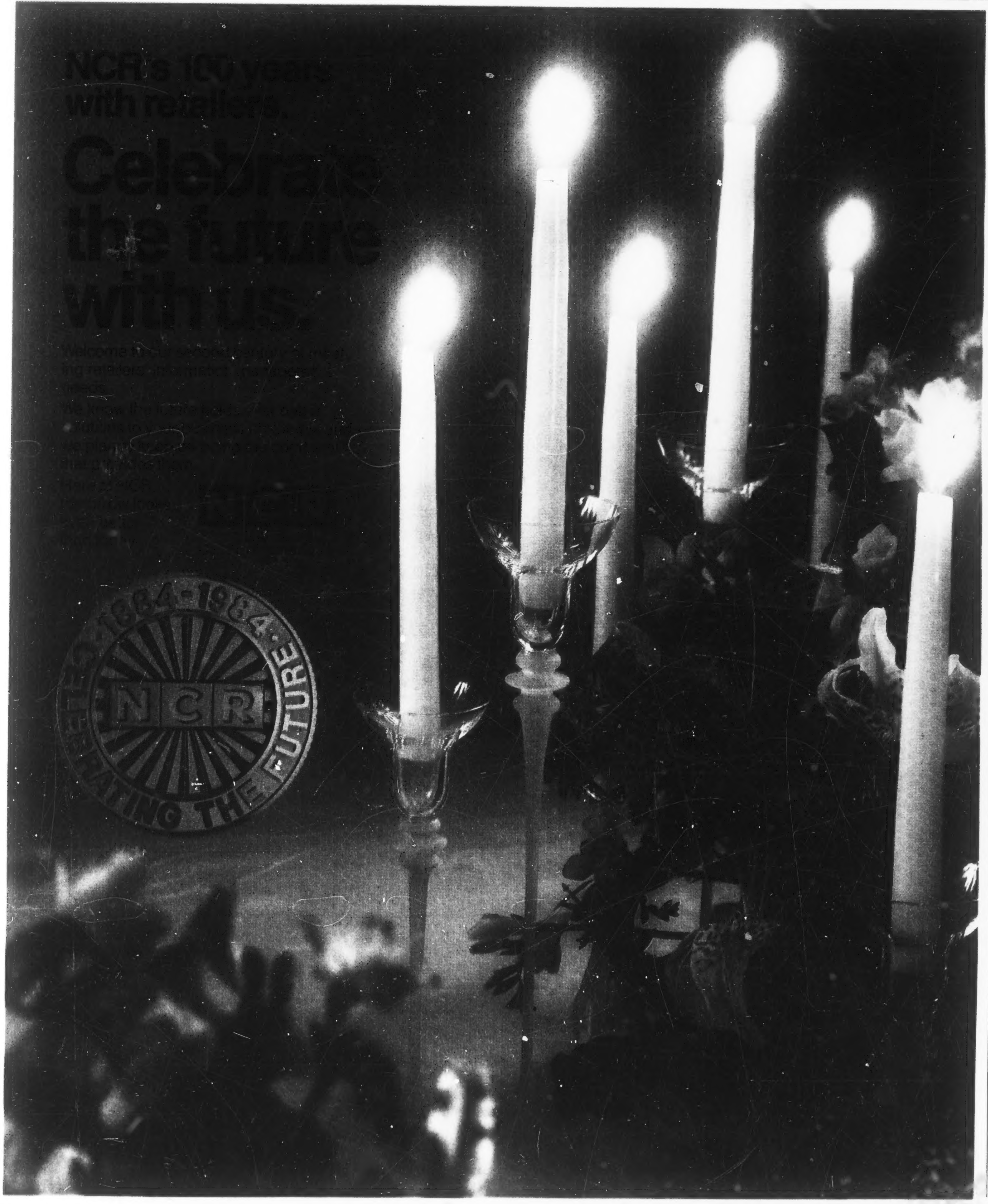
These trends are expected to translate into more than $2 billion in sales, with full-line discounters accounting for $1.7 billion of that volume and catalogers accounting for just over $600 million.

To some extent, renewed consumer interest has pursuaded many full-line discounters to ease up on category promotions. As a result, while turns are slowing to 3.4 from 4.0 a year ago, average gross margins are improving to 21.4%, compared to 16.1% a year ago. Initial markup is also higher: 33.2%, compared to 28.3% in 1983.

Merchandisers' most vexing problem with many of the space-saving electrics has been supply of the most popular models. The wall-mounted and under-cabinet appliances are popular with consumers and return healthy margins with attractive prices, but delivery problems have caused uncertainty about planning promotions—and have lost sales and profits for retailers because of out-of-stock situations.

But perhaps because of the popularity of these products and their relative scarcity, dis-

(Continued on page 119)



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NCR
CELEBRATING THE FUTURE

Glassware: $0.8 Billion

- **Full-line Discounters** **$0.7B**
- **Specialty Discounters** .... **N.A.**
- **Catalogers** **$0.1B**

Full-line Discount Store Productivity

Sales	$0.7B
Sales per Store	$80,158
Department Size	620 Sq. Ft.
Annual Sales per Sq. Ft.	$129
Turns	4
Initial Markup	40.7%
Gross Margin	34.9%

Mfr. Rivalry Adds Promo Opportunity

Nationwide DSN Report

Housewares merchandisers expect healthy sales gains in 1984 to come from glassware, but buyers are taking markedly different approaches to reach their goals.

Overall, full-line discounters are expected to gross an additional $100 million in glassware sales this year, bringing that segment of the industry's volume to $700 million. Turns, initial markup and gross margins are fairly even with productivity figures of a year ago: Turns are rising slightly to 4.0 from 3.8 in 1983; initial markups are off 0.3% to 40.7%, and gross margins are running ½ of a percentage point behind last year at 34.9%.

For catalogers, glassware sales are projected to hit $30 million by year's end.

Sets of glassware, particularly 24-piece groups, have been popular, but domestically produced 12-piece sets allow merchandisers to stay below a $10 price point. Four-packs concern some merchandisers because the per-piece price may be perceived as uncompetitive, while other merchandisers are wary that larger sets limit the styles and shapes that may be offered.

An abundance of suppliers, however, permits discount chain buyers to benefit from the intense competition. Rivalry among manufacturers has led to more promotional opportunities as they fight for market share and try to reduce inventory.

One move by a major manufacturer represents a different route to gain an edge over the competition. Libbey is offering a two-year limited warranty against chipping of the rims of its glasses. While the company cites research indicating that consumers welcome such a warranty, many chain buyers are less certain the program will help. Requirements that customers retain sales slips and mail the damaged glass to Libbey are cumbersome and expensive, they maintain.

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Think of all the ways your customers can use JOB CART™ Cosco's new versatile heavy-duty work center/storage cart.

Job Cart has plenty of room to store tools and supplies. And it can be rolled to most any work area. Job Cart also provides a large work surface for DIY projects.

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Think of the added sales you can generate with Job Cart by Cosco.

12-757

Patent Pending.

12-727 12-737 12-747 12-757

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COSCO INC.

COSCO
Housewares Group
2525 State Street
Columbus, IN 47201
812 372 0141

Personal Care Electrics: $3.1 Billion

• Full-line Discounters	**$2.9B**
• Specialty Discounters	**N.A.**
• Catalogers	**$0.2B**

Full-line Discount Store Productivity

• Sales	**$2.9B**
• Sales per Store	**$357,627**
• Department Size	**850 Sq. Ft.**
• Annual Sales per Sq. Ft.	**$420.74**
• Turns	**3.3**
• Initial Markup	**30.4%**
• Gross Margin	**20%**

Decreasing Prices Help Up Volume

Nationwide DSN Report

Falling prices are generating sales of personal care appliances in discount store.

This year, sales in the category are expected to total $3.1 billion, with $2.9 billion coming from full-line discounters, a 7% increase from the $2.7 billion in volume generated a year ago.

For full-line chains initial markups are slightly lower than a year ago at 30.4% as compared to 30.9% in 1983. Turns are down one-half of a percentage point to 3.3 from 3.8; gross margins are also off a fraction, to 30.4% from 30.9%.

One of the biggest growth areas is the home health care category, where discounters and catalog showrooms already own a 30% share of the blood pressure machine and digital thermometer market. Industry estimates are that discounters and catalogers will increase their sales of these devices by 40% this year, as more chains enter the market or expand their mix. Manufacturer price drops of up to 30% are anticipated this year, due to increased competition and better technology leading to lower manufacturer costs.

While some discounters, such as Zayre, are wary about medically oriented merchandise, more traditional personal care appliances are showing new strength for virtually all retailers.

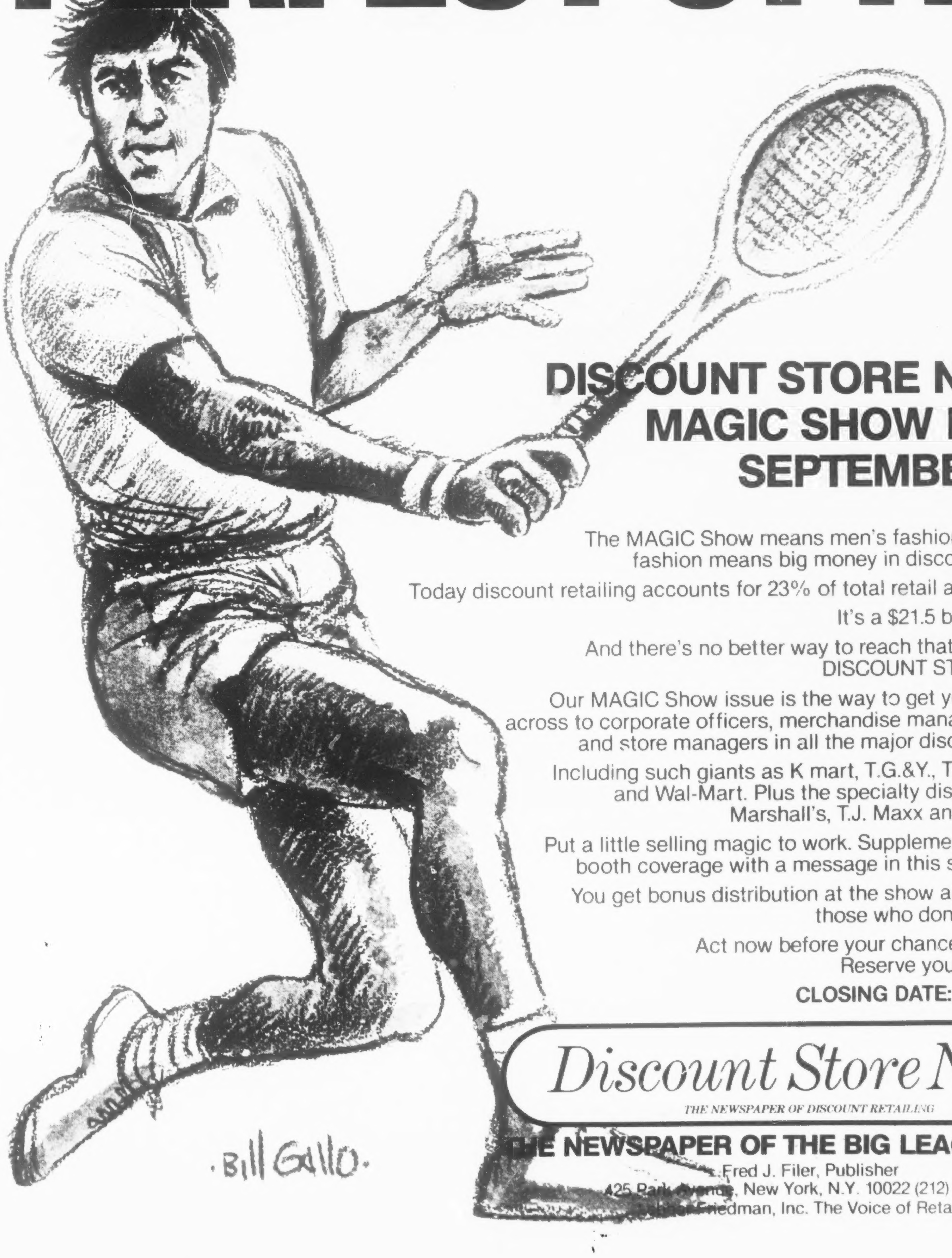
Hair care electrics are booming, merchandisers for Gold Circle, Roses and Gemco contend, because, in part, customers view dryers, curlers and similar products almost as disposable.

Low promotional prices and widespread rebates that combine to drop the final price to below $10 encourage that outlook, they said.

In 1984, for example, by combining rebates with promotions, K mart customers could purchase Conair curling irons or 1250-watt dryers for $7.97.

In other chains, prices for similar merchandise were as low as $5.99.

PERFECT STYLE.



DISCOUNT STORE NEWS'
MAGIC SHOW ISSUE
SEPTEMBER 17.

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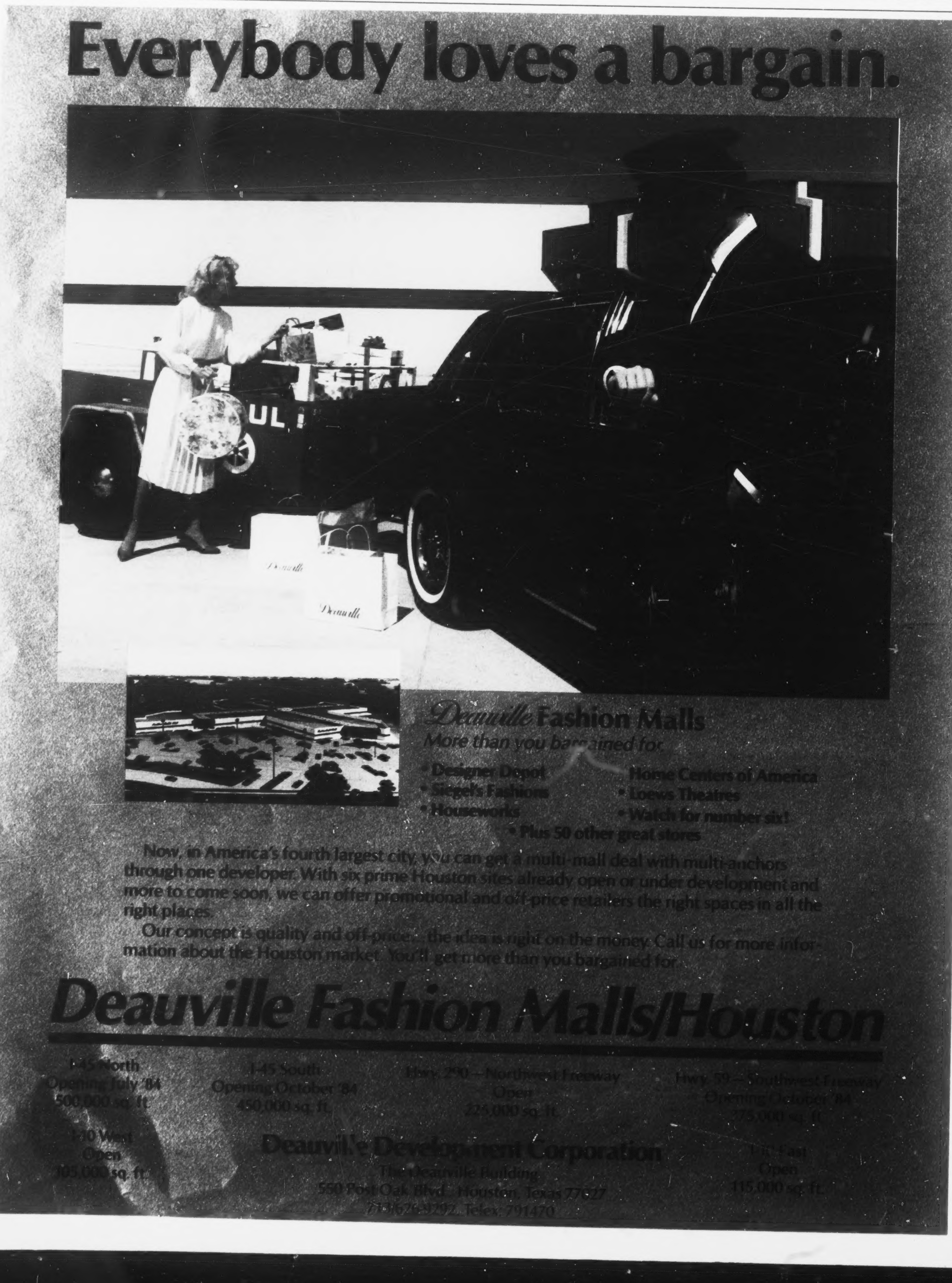
Domestics: $4.4 Billion

• Full-line Discounters	**$3.2B**
• Specialty Discounters	**$0.8B**
• Catalogers	**$0.4B**

BATHRUGS
TOWELS
SHOWER CURTAINS
TOWELS

Full-line Discount Store Productivity

• Sales	**$3.2B**
• Sales per Store	**$394,623**
• Department Size	**3,130 Sq. Ft.**
• Annual Sales per Sq. Ft.	**$126.08**
• Turns	**2.5**
• Initial Markup	**43.4%**
• Gross Margin	**35.3%**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I-10 East
Open
115,000 sq. ft.

Deauville Development Corporation
The Deauville Building
550 Post Oak Blvd., Houston, Texas 77027
713/626-9292, Telex: 791470

Displays, Mix Evolve Significantly

Nationwide DSN Report

Higher-grade fabrics, brand names, licenses and more enticing coordinated displays are changing the look of discounter domestics departments.

From stores which once stressed only no-frill budget basics, such as Murphy's Mart, to longstanding upscale discounters, such as Bradlees, merchandise mixes and presentations have evolved significantly in recent years.

For some catalogers, however, domestics has proved less than a success.

The industry's leading cataloger, Best Products, pulled out of the category earlier this year, blaming space limitations in its showrooms .

Almost at the same time that Best was pulling out of domestics, however, Chicago-based McDade's was getting into the category in a big way.

A McDade spokesman said domestics enhances the chain's image and helps draw traffic, particularly with post-Christmas white sales.

H. J. Wilson and Service Merchandise remain active proponents of the domestics business and will help account for the cataloger market segment's projected $400 million in sales by year's end.

Full-line discounters, for their part, are expected to produce more than $3 billion in domestics sales by the end of this year, up from $2.8 billion.

Those full-liner departments have also become more productive with gross margins rising one percentage point to 35.3% while turns slow only a fraction from a year ago to 2.5 (compared to 2.8 in 1983). Initial markups are also moving slightly ahead to 43.4% from 43%.

Apart from upgraded in-store presentation, one of the most significant developments in 1984 is the extension of licenses beyond juvenile domestics. Stevens introduced its Gloria Vanderbilt "designer" line targeted specifically for the mass merchandiser market.

Toys: $6.9 Billion

- **Full-line Discounters** **$4.1B**
- **Specialty Discounters** **$2.0B**
- **Catalogers** **$0.8B**

Full-line Discount Store Productivity

• Sales	$4.1B
• Sales per Store	$505,611
• Department Size	2,500 Sq. Ft.
• Annual Sales per Sq. Ft.	$202.24
• Turns	3.1
• Initial Markup	36.5%
• Gross Margin	28.4%

Main Worry Of Buyers Is Delivery

Nationwide DSN Report

If toy merchandisers aren't breaking out the champagne at New Year's, the reason will almost certainly be that manufacturers didn't live up to delivery promises.

Discounters—and all toy retailers—experienced explosive demand in almost every area of the once-moribund toy category in the past year and virtually everyone in the industry expects the coming Christmas season to be a repeat. Licensed toys, dolls, plush toys and even board games are surging and consumers are not blinking at price points exceeding $30.

Several toy chains are also focusing in on higher priced nontoy merchandise. Toys "R" Us and Child World have both made store layout adjustments, adding up to 2,500 sq. ft. to big ticket areas such as bicycles and juvenile furniture.

Overall, discounters, including toy specialty chains, are expected to sell almost $7 billion worth of toys this year. Full-line discounters will account for nearly 60% of that volume, with their toy sales due to rise to $4.1 billion up from $3.7 billion a year ago.

Specialty discounters, including Toys "R" Us, Child World and Kay Bee, will account for another $2 billion in toy sales alone; cataloger toy sales are projected at $800 million.

While consumers appear eager to buy, the fear of merchandisers is that demand will far outstrip supply.

Most merchandisers are pleased by moves made by manufacturers to capitalize on the popularity of last year's big winner.

Coleco's Cabbage Patch dolls, which had consumers in a virtual frenzy for much of the last year, have been exploited with the introduction of "Preemies," junior in "age" to the original figures but carrying the same price. As with most other dolls, Coleco also has clothing and other accessories for new "parents" to buy for their dolls.

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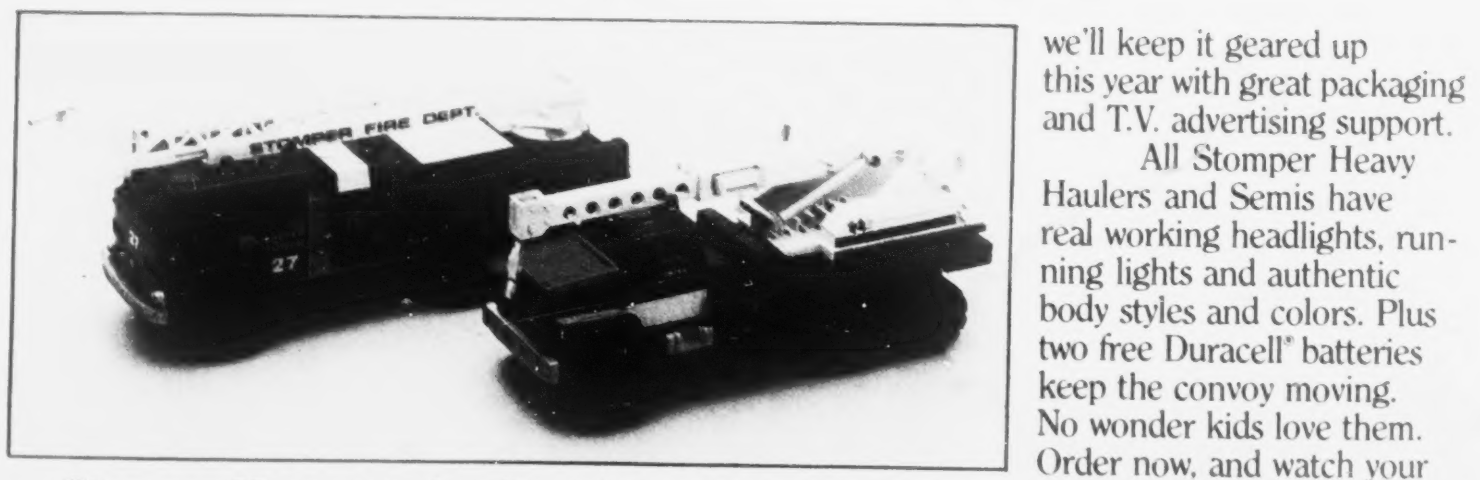

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Schaper®

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Now Gilmour includes a free Gentle Spray Attachment with each Dial-A-Mix™ sprayer.

A nifty, useful accessory worth $1.00 Makes the Dial-A-Mix even more versatile and attractive.

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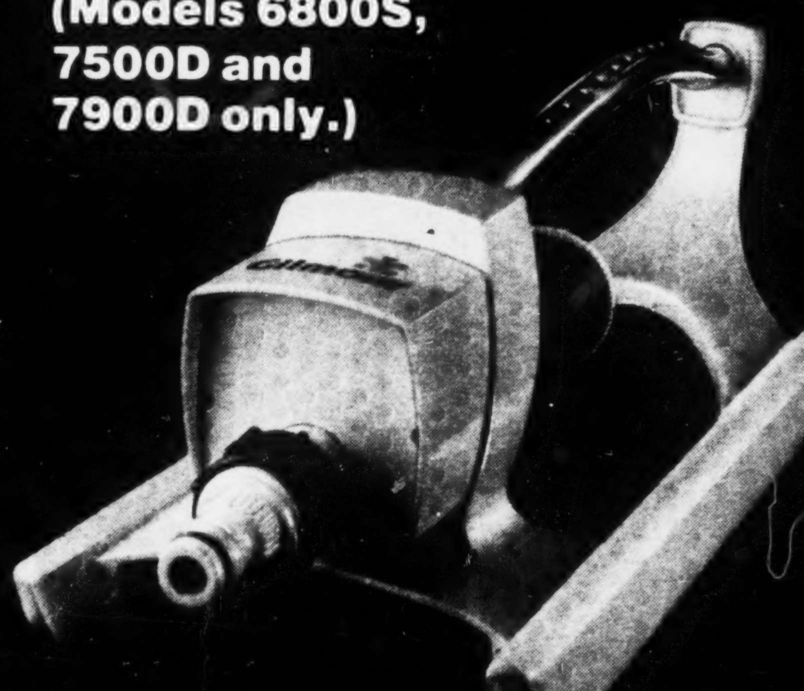
And a free Male Quick Coupler with Gilmour oscillating sprinklers (Models 6800S, 7500D and 7900D only.)



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Also, be sure to ask about our Special Offer on Quick Coupler sets. Call or write today!

Gilmour
VERMONT AMERICAN CORPORATION
Somerset, PA 15501

Barbecues And Patio L&G Oases

Nationwide DSN Report

While gardening was rained out this year for much of the nation, patio and barbecue goods are expected to continue to cheer up lawn and garden buyers.

Lawn mowers, too, continue to be a healthy product line for merchandisers while trimmers hold their own.

While nationally discounters are far from downcast, most think wistfully of what might have been with a few more sunny weekends in April or May. A buyer at a Midwestern-based chain, which increased sales by 15% this year, observed sourly: "We don't know what a normal spring is. This was the third year in a row of this kind of weather for us. The only difference was that this year it rained 21 weekends in a row against 19 last year."

A buyer at a Wisconsin-based chain agreed that weather is all-important for many merchandise segments, but happily reported that his markets' weather was fair and dry, unlike 1983. For example, his chain experienced a 36% increase in the sale of live plants, but he added, "only the weather made that happen. Last year was the most frustrating year in a long time."

With such a weather-sensitive category, he said, "There's no way you're going to guess right all the time." After a very dry May, his stock in sprinklers and hoses and nozzles was low, and he had to decide whether to buy back in. "I think the moment I wrote the order it started raining and it didn't stop for two weeks."

If despite poor weather, lawn and garden merchandisers remain cheerful, it is because customers again this year have shown an eagerness to be traded up in patio furniture, barbecues, mowers and even string trimmers.

Bonnie Smith, patio buyer for Grand Central, said she was gratified by response to the introduction this year of $400 outdoor furniture sets. A Wisconsin discounter was surprised at the strength of a $119 gasoline-powered Lawnboy trimmer. Virtually all discounters reported that gas grills, especially in the $150 area, continued to gain strength against more promotional gas and charcoal barbecues.

While gas was clearly catching fire last year, Jamesway's Angelo Bianco said consumer response in 1984 is still "beyond expectation." Jamesway carries five gas models this year against four last year. Bianco said customers are prone to trade up impulsively once they are in the store. Glass fronts, side tables, larger burners and the overall size of the grill convince many customers to buy trade-up models, he said.

The future of charcoal grills is less rosy, although discounters say they will always have a place in the market. A Harts spokesman, Jamesway's Bianco and the Wisconsin merchandiser said that charcoal barbecues have been inching backwards in sales for years and at Grand Central, Smith said that unit-for-unit, gas now equals charcoal. Buyers cited the extra convenience of gas and the rising price of charcoal briquettes as major factors for the change.

TOY WORLD
8-PC. OUTDOOR SEATING GRO
199

High-ticket groupings of patio furniture were a star performer for discounters again this season. Caldor, Lake Ronkonkama, N.Y., placed them near another popular backyard picnic item—gas barbecue grills. *(DSN photo)*

The greatest weakening, said Harts buyer Ted Markovich, was in the upper limits of charcoal grills, which are almost as expensive as many full-size gas units. Promotional charcoal grills, he said, remain a volume product.

In addition to spending more on gas grills, backyard picnickers also are trading up on their patio furniture, buyers reported. While the Jamesway and Harts spokesmen said that PVC-pipe furniture has not shown quite the strong gains some predicted, it has been entirely satisfactory. Markovich was especially enthusiastic about cushioned furniture sets and said he will go to next month's hardware show on the lookout for more outdoor furniture for next year, especially brightly colored, fashion-oriented pieces.

Buyers also were pleased that mowers continued to gain momentum in 1984 after showing unexpected strength in 1983. A K mart spokesman said early sales figures from the South showed substantial increases; Northern figures, not available at presstime, are expected to be up after a slow, weather-influenced start.

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Plus, like all Cheinco products, Snack & Play Trays™ are made in America at competitive prices, and feature the best in character designs. Our licenses include Donald Duck, Garfield, The Chipmunks, and those fuzzy Ewoks from Return of the Jedi.

Chipmunks
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Chipmunk Characters: © 1984 Bagdasarian Productions

Prominent signs invite customers to compare prices of soft drinks to help entice them to impulse-buy at Wal-Mart, Bentonville, Ark. Highly promoted, beverages turn 70 times yearly in discount stores.

Consumables Outlook

Flavored Popcorn A Tasty Surprise In Margin Crunch

Nationwide DSN Report

Traffic is still the name of the game for food and other consumables in discount stores, but healthier margins are obtainable on trendy or impulse items.

Aggressive pricing strategies on basics, such as soft drinks and frequently advertised canned goods, are highly effective at bringing customers into the stores, merchandisers agree. But at least one chain has in 1984 discovered a relatively high-ticket, high-margin line that consumers are literally gobbling up.

Denise Jacobson, a buyer for Grand Central, said the latest rage in her markets is flavored popcorn. "These things are just selling like crazy," she said. Christmas and Father's Day promotions were especially successful as customers bought 2- and 3-gal. buckets of flavored popcorn and specialty pretzels at price points of up to $12.99. Overall, this merchandise has a 32% margin, she said.

Featuring flavors such as cinnamon, taco, nacho cheese as well as the more traditional carmel corn, Grand Central has set up a 4-ft. gondola for the fancy popcorn and specialty pretzels. The top four shelves hold 5-oz. bags priced at $1.19 with three shelves beneath holding the larger tubs priced from $8.99 to $12.99. Jacobson said that while she had been confident the products would do well, she was happily surprised to see her expectations exceeded.

For the balance of her department, the emphasis is on convenience and impulse buying rather than on heavy price promotions. A spokesman for a discounter in the Southwest said he, too, has shied away from competing heavily with food retailers because supermarkets in his regions abound and have far more expertise in logistics and marketing.

Plans Aired

However, he said his chain, which has no permanent food sections, plans to start promotions on staples such as tuna fish and peanut butter and jelly in its back-to-school advertising.

A major problem for almost all discounters retailing food items is dating and residual merchandise left over after promotions.

However, with markups of 40% and eight turns annually, candy is a key element in any consumables merchandise mix. Ken Burdick of Pamida estimated that up to 90% of candy purchases are made on impulse.

While Jacobson is ecstatic about her exotic popcorn, Nichols' Jay Rosmarin is finding room for a permanent endcap display of Danish butter cookies. More changes in the category will be coming at Nichols, he said, as the chain later this year develops a more standardized planogram for its stores. At present, he said, the size of the department varies widely, from a mere 16 running feet in smaller stores up to 72 ft.

Pamida, this year, settled on a standardized planogram for its stores with a total of 68 ft., including both permanent and seasonal merchandise, Burdick said.

The spokesman for the Southwest chain said there is no space now set aside for food items. However, if the back-to-school promotion is successful, he said the discounter will probably install a regular food gondola with merchandise stocked on an in-and-out basis depending on the best buys that can be made at the time. He said he envisions two or three monthly promotions.

At almost all discounters, consumables are placed at the front of the store either near the main traffic aisle as a draw or near the registers.

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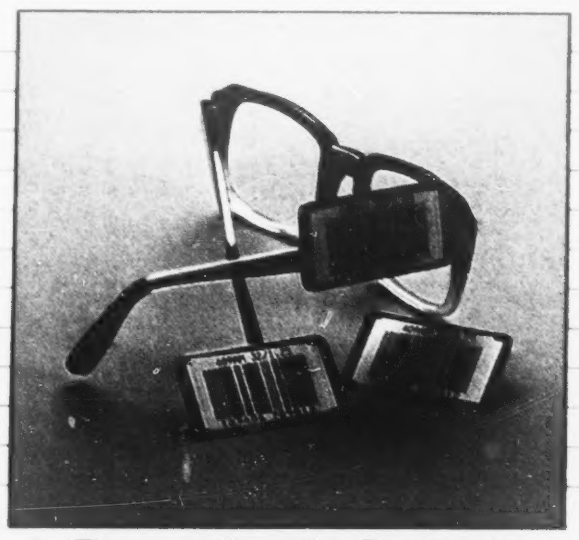

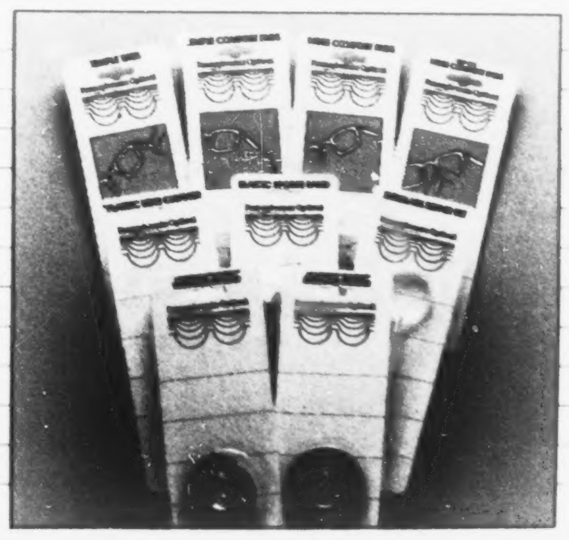

Pennsylvania Optical
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Pennsylvania Optical
234 South Eighth Street, P.O. Box 1217
Reading, PA 19603

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Canada by Wintrob Sales Limited
Toronto M5N 1B2

Hardware: $4.9 Billion

• Full-line Discounters	**$4.8B**
• Specialty Discounters	**N.A.**
• Catalogers	**$0.1B**

Washerless Faucets
No Tools Required
Water Saving Design • Drip Free Performance
Comfort Plus Fan-Forced Automatic Thermostat RADIANT HEATER

Full-line Discount Store Productivity

• Sales	**$4.8B**
• Sales per Store	**$591,935**
• Department Size	**3,210 Sq. Ft.**
• Annual Sales per Sq. Ft.	**$184.40**
• Turns	**2.4**
• Initial Markup	**41.9%**
• Gross Margin	**32.1%**

Easy-to-Install, Fix-up Products Advance

Nationwide DSN Report

While hardware departments have grown smaller over the years as discounters have gotten out of the major-repair home improvement business, the category remains a stable component of full-line and catalog showroom merchandise assortments.

Growth today is coming from fashion-oriented and more simple-to-install home fix-up products like wallpaper, ceiling fans and closet organizers, and from expanded, and more expensively priced KD furniture offerings.

Other growth classifications in the department include oil-filled heaters and electronic security devices.

Overall, sales from discounter and catalog showroom hardware assortments are expected to top $5.6 billion, and account for 5% of all merchandise sold in discount stores by year's end.

For full-line chains, hardware sales are projected to reach $4.8 billion; catalogers, with very narrow assortments, are expected to produce another $800 million by the end of 1984—10% of that industry segment's total volume.

Ceiling fans are one area expected to keep growing through this year and into next. After much promotional footballing and experiments with price points above $200, merchandisers at most chains expect fans priced in the $100 area to be the star performers. The value discounters can offer at this price point is enhanced because manufacturers have lowered prices. Many fans that were priced at $150 last year are now being sold at or near $100 every day this year.

Promotional 36-in. and 42-in. fans, with prices at or below $60, no longer attract the majority of customers. Instead, because prices on dressed-up 52-in. fans have dropped, customers are eager to trade up, buyers from chains such as ALCO, Heck's and S. E. Nichols reported.

In addition, ceiling fans are no longer viewed primarily as seasonal merchandise. A winter promotion of the fans at Van Leunen's resulted in the best monthly sales in years.

Further Developments

Regardless of weather, kerosene heaters seem in for a poor winter season, but most chains anticipate that oil-filled space heaters will prove capable of taking up the slack. In addition, humidifiers may help turn up the temperature for sales in this supplementary heating category.

Some chains, including Zayre, have dropped kerosene heaters because of the products' poor publicity, stiffened regulations or local prohibitions. Merchandisers at Zayre, as well as Murphy's Mart, Clover, Heck's, Nichols and other chains expect the real strength to be in oil heaters in the $50-$80 range.

Because of stiff competition from home centers, slow turns and low profit/space ratios, few discounters—most notably K mart and S. E. Nichols—remained in the paneling, bulk insulation and lumber business. The space which might have been occupied by these items is instead being devoted to department basics or, at chains such as Gold Circle, Richway, Venture and ALCO, to more fashion oriented, home fix-up products like wallpaper.

Changes are expected in hand tools as well. Domestic brands, especially Stanley, will continue to be the choice for discounters at the high end. However, chains such as Fishers Big Wheel have noted a demand for better quality even among lower-priced imports. A new niche is emerging, many merchandisers say, for hand tools priced between the promotional imports and the top-quality domestic tools, leading to a good-better-best strategy.

In power tools, discounters look for growth from accessories or nontraditional electrical tools. Overall, 1984 may not be a banner year for the segment, with total sales growth a virtually flat 5%. According to most merchandisers, any real growth will come from items such as Black & Decker's popular Workmate assortment and the portable Hirsh Iron Horse, as well as small vacuum cleaners, portable lights and similar products. However, most chains expect little growth from hand-held power tools such as drills and saws or from bench tools.

STOOL
IRON HORSE II
WORK S
Wood Lathe
Wood L

When Black & Decker introduced the Workmate several years ago, it opened a whole new category in hardware. Fishers Big Wheel, New Castle, Pa., displays the Hirsh line of workshop tables and stools.

Catalogers concentrate on home workshops in their hardware merchandise mix, as shown at Best Products, in Fairfax, Va. Power tools and related merchandise rise from floor to ceiling on a wall.

Paint: $1.8 Billion

• **Full-line Discounters**	**$1.8B**
• **Specialty Discounters**	**N.A.**
• **Catalogers**	**—**

Full-line Discount Store Productivity

• **Sales**	**$1.8B**
• **Sales per Store**	**$221,976**
• **Department Size**	**1,250 Sq. Ft.**
• **Annual Sales per Sq. Ft.**	**$177.58**
• **Turns**	**2.4**
• **Initial Markup**	**43.9%**
• **Gross Margin**	**35.2%**

More Colors In Fashion Tones Gain

Nationwide DSN Report

Through this year's rain-drenched first five months, discounters have taken various approaches to wean customers away from their umbrellas and onto their paint brushes.

Chains are (1) adding more fashion colors to their mix; (2) integrating broad assortments of stains; (3) promoting more aggressively, and (4) relying more on private label to lure traffic and boost department productivity.

Despite flat performance at midyear, because of the weather-induced late sales start, chain buyers report strong rebounds during the past month and some are projecting overall category growth as high as 10%-15% for all of 1984.

Paint department sales are expected to rise to $1.8 billion in 1984, up from $1.7 billion a year ago. On a store-for-store basis, that increase translates into almost $12,000 in additional sales per unit, to $221,976.

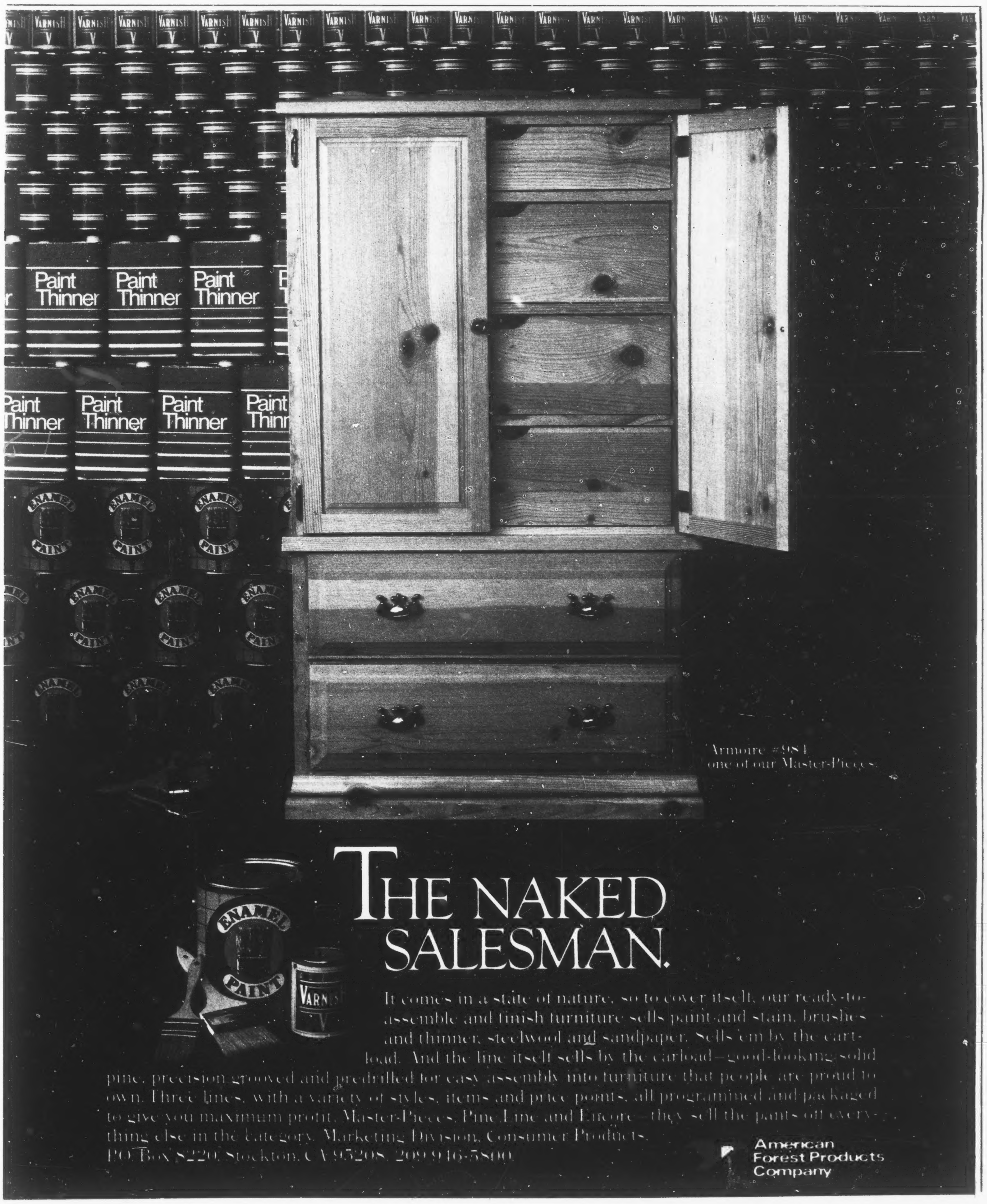
Turns and initial markup are expected to rise slightly in 1984, as gross margins remain stable at 35.2%.

Private label thrusts by chains such as K mart, T.G. & Y., Jamesway and Heck's are meant to boost everyday profits and reduce reliance on branded promotions. Buyers felt that since consumers wait for sales to buy 65%-75% of their paint, chains might fare better by emphasizing store labels—in order to keep a cap on everyday prices.

K mart prices its 8 Year store brand 10%-15% lower than Dutch Boy and newly added Glidden brands.

K mart experimented with a three-week-long name-brand truckload promotion this spring that it might repeat in 1985, said buyer Marvin Porter.

More important to department growth, he said, has been the addition of Minwax and Carver Tripp interior stains chainwide, and the introduction of Olympic stains to its stores with Home Care Centers.



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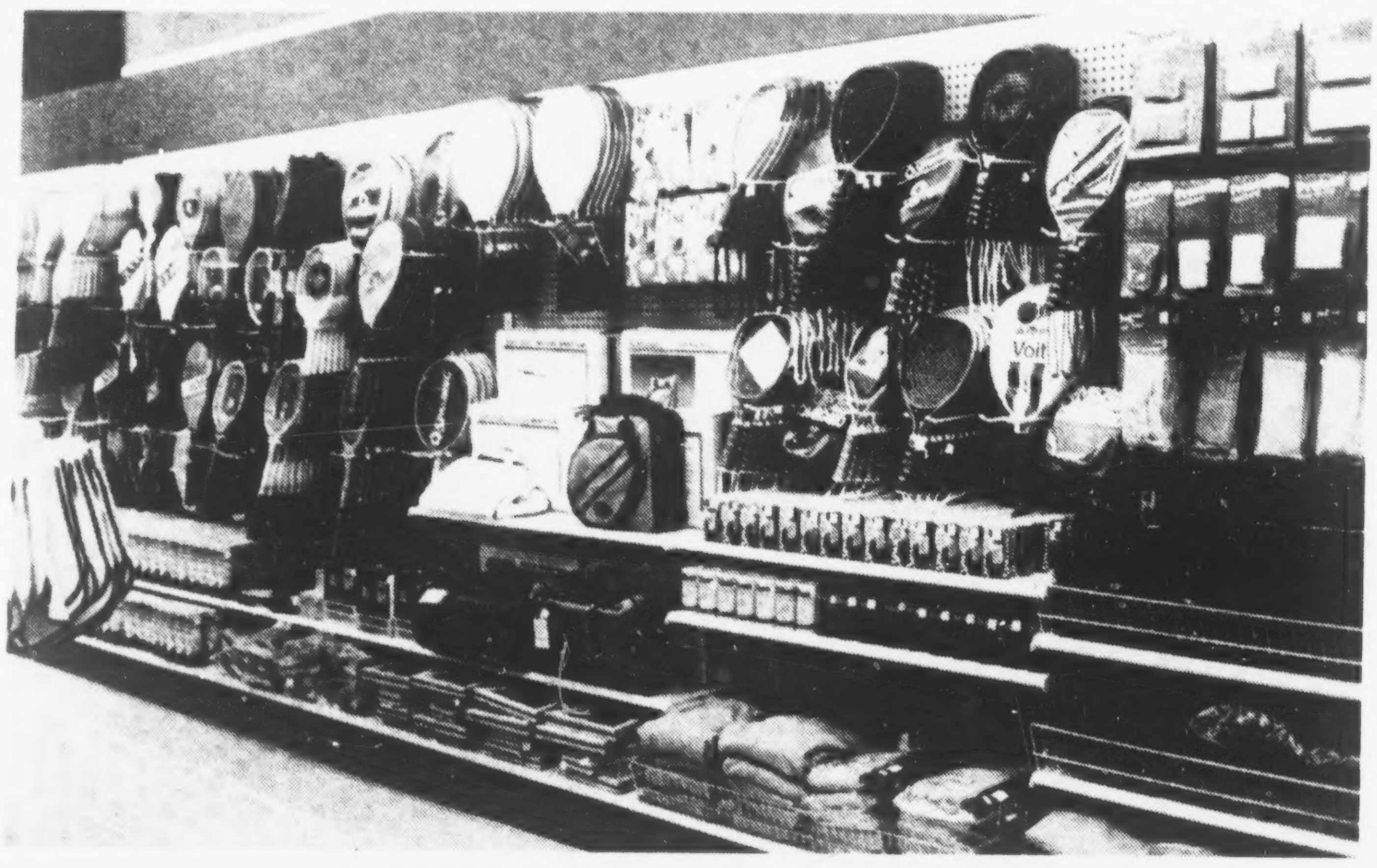
Sporting Goods: $5.0 Billion

Full-line Discounters	**$3.8B**
Specialty Discounters	**$0.6B**
Catalogers	**$0.6B**



Full-line Discount Store Productivity

Sales	**$3.8B**
Sales per Store	**$468,615**
Department Size	**2,500 Sq. Ft.**
Annual Sales per Sq. Ft.	**$187.45**
Turns	**2**
Initial Markup	**36.8%**
Gross Margin	**26.9%**

Gains Seen For Fitness Equipment

Nationwide DSN Report

Home fitness equipment will lead the way to increased sales in sporting goods departments in 1984.

Overall, sporting goods sales will cross the $5 billion mark this year with full-line discounters accounting for a projected $3.8 billion in volume and the specialty discounter and catalog showroom segments each producing about $600 million.

For the full-line chains, that $3.8 billion in volume will represent a 12% increase over sales posted a year ago.

As Americans become even more health-conscious, home gyms, exercise bikes and other similar merchandise to trim away pounds and inches are expected to add up to 30% sales gains in those items at year's end.

Merchandisers are less enthusiastic about prospects for weight reduction gimmicks such as antigravity systems. Most agreed with a spokesman for cataloger H. J. Wilson, who described antigravity equipment as an "overpriced fad."

Renewed interest in exercise bikes, especially trade-up models, and road bikes complement discounters' merchandising of home gyms.

Giant K mart is expected to be among the most aggressive retailers of exercise equipment through the balance of the year, pushing high-ticket exercise bikes in the $100-plus area and gym equipment such as a $500 motorized trademill. A K mart spokesman said sales of similar equipment tripled in the last four years and that the chain is seeking to become the dominant market factor.

Backed by television and print promotions, large orders of exercise equipment are intended to give the discounter a substantial lead over key competitors. "We know Sears, Ward and J. C. Penney are looking at adding more exercise equipment," the K mart spokesman said, "but it will be at least six months before they can get anything of this quality in the quantities they need."

Other discounters are not planning any radical departures in their merchandise mixes this year, but will give more emphasis to higher-ticket multiuse fitness equipment.

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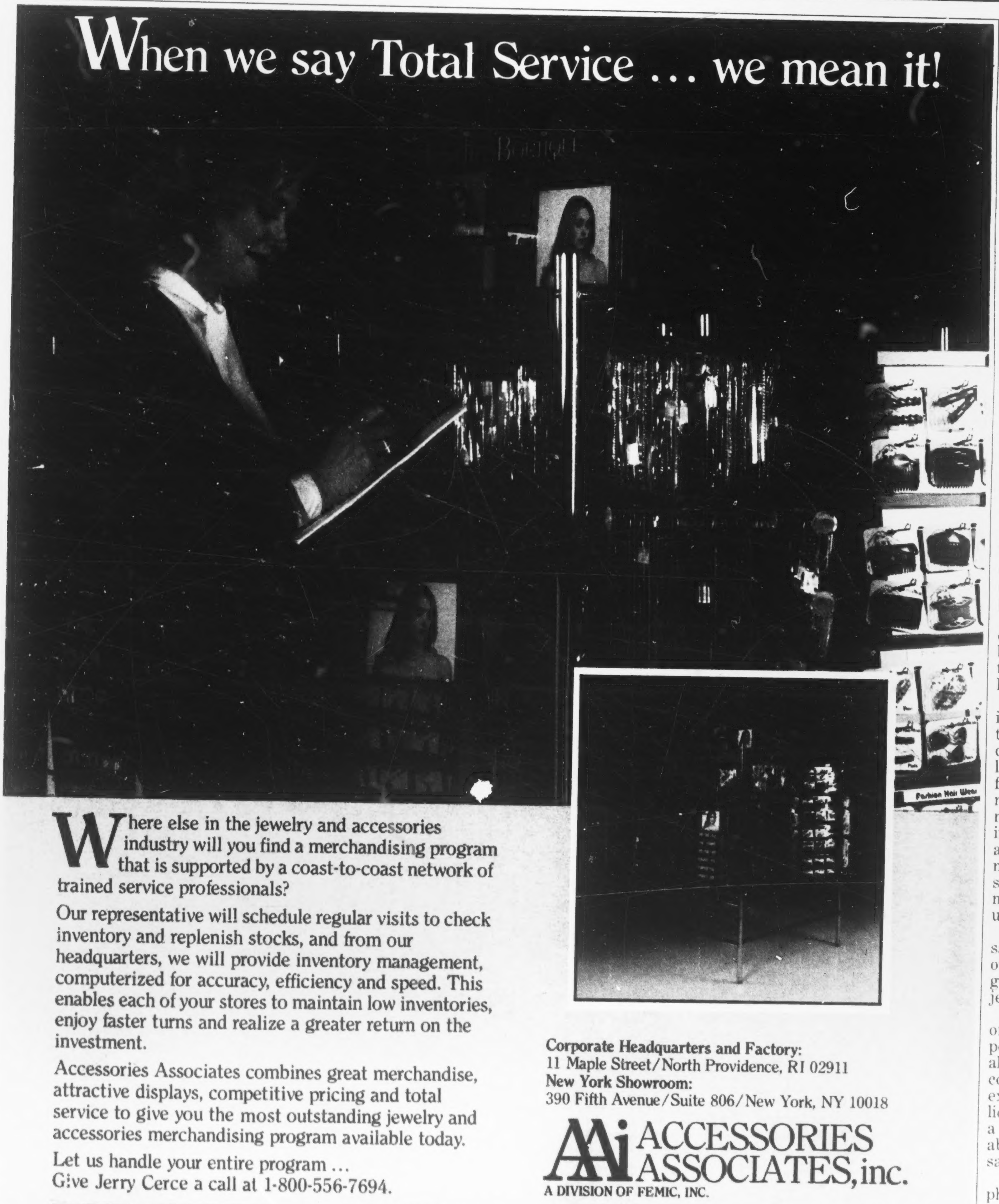
Jewelry: $4.6 Billion

• **Full-line Discounters**	**$1.4B**
• **Off-price Discounters**	**$0.4B**
• **Catalogers**	**$2.8B**

Full-line Discount Store Productivity

• **Sales**	**$1.35B**
• **Sales per Store**	**$166,482**
• **Department Size**	**575 Sq. Ft.**
• **Annual Sales per Sq. Ft.**	**$289.53**
• **Turns**	**1.8**
• **Initial Markup**	**49.9%**
• **Gross Margin**	**37.7%**



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Upgrade Set Throughout Assortments

Nationwide DSN Report

Fine jewelry, long the backbone of the catalog showroom business, is now getting a modest play in discount stores.

But, full-liners, interested in building their apparel businesses, are looking at upgrading the fashionability of less expensive costume lines for category growth.

Buyers note the resurgence in fashion jewelry with satisfaction, and are equally pleased about consumers moving away from low-end—and low-profit-margin—digital and promotional watches, which have sunk, in some chains, to the $2 and $3 range.

Now, said Murphy's Mart buyer Don Kiser, "it's a new ballgame in watches again." He believes consumers want a dressier, more fashion-conscious look, and are willing to pay for it.

Along with offering better quality assortments, chains are bolstering their upscaled image through changes in department layout and fixturing.

At Murphy's Mart, upgrading has prompted a two-store test where floor racks and endcaps were replaced with modular 24-in. and 36-in. cubes and flexible displays to create a more sophisticated, department store look. Gold Circle is improving in-case presentation and is building bridge assortments that stress colorful stones, natural materials like metal and wood, and bold, unusual patterns.

Gemco, whose fine jewelry sales have increased about 5½% over last year, is also working to give the department more of a jewelry store image.

The emerging concentration on upgraded styles and price points in jewelry and watches, along with a brisk business in color costume, has full-liners expecting more than $1.3 billion in sales, up from $1.2 billion a year ago. Off-pricers expect about $400 million in jewelry sales.

Catalogers, with their emphasis on fine jewelry, should generate about $2.8 billion.

Photo/Camera: $3.6 Billion

- **Full-line Discounters** **$3.3B**
- **Specialty Discounters** .... **N.A.**
- **Catalogers** **$0.3B**

Full-line Discount Store Productivity

• Sales	$3.3B
• Sales per Store	$406,955
• Department Size	675 Sq. Ft.
• Annual Sales per Sq. Ft.	$602.80
• Turns	3.2
• Initial Markup	24.5%
• Gross Margin	16.6%

Assortment Broadened, Stepped Up

Nationwide DSN Report

Discounters are broadening their photo department assortments and emphasizing high margin photofinishing to increase profitability.

In the absence of sweeping technological innovations, full-line chains have stepped themselves up to 35mm cameras, including autofocus rangefinders, programmable SLR's and, in some cases, manual SLR's. More traditional point-and-shoot formats, meanwhile, have remained a staple of the chains' photo diets.

At the same time, a growing number of discounters are taking a closer look at the one hour mini-lab developing systems with an eye toward increasing profits while generating additional in-store traffic. But there are numerous obstacles to be overcome, including the initial start-up costs of typically $100,000, return on investment and minimum 400-sq.-ft. space requirements of the labs.

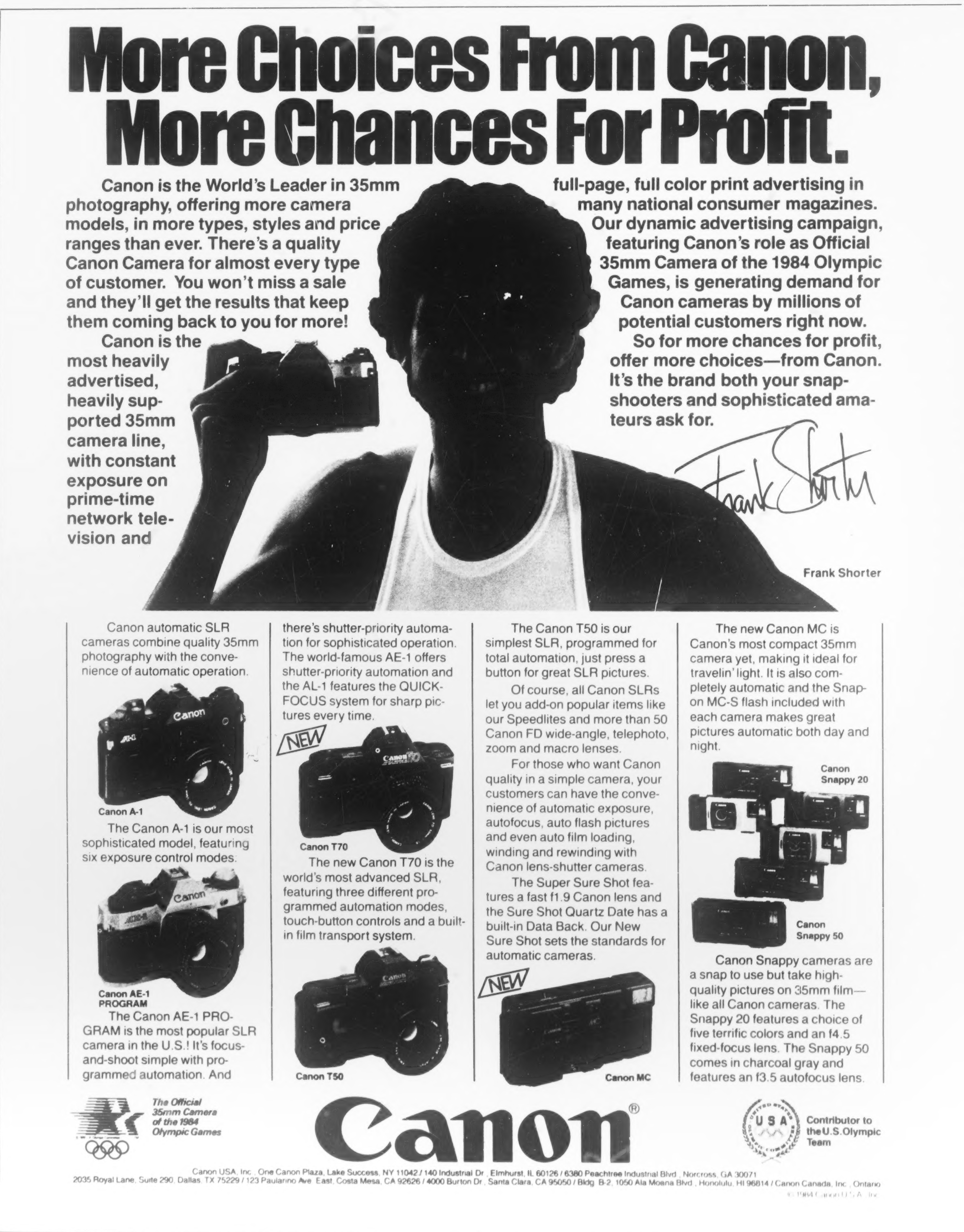
In camera equipment, the need for better profitability is illustrated by the slight erosion of already low margins in the photo category: initial markup is averaging 24.5% in 1984, down from 25% last year. Gross margins are dropping to 16.6% from 18%.

Overall, photo department sales are expected to reach $3.6 billion with full-line discounters accounting for the lion's share of the business or $3.3 billion, up from $3.1 billion in 1983.

In cameras, Caldor was among the early innovators in the step-up process, in part because of the attention paid to the category by founder and recently retired chairman Carl Bennett when he started the chain and still worked at store level.

Today the department includes more than 30 cameras, skewed to the 35mm format, including autofocus rangefinders, programmable SLR's and manual SLR's. Everyday prices range from $10 to $340.

The low margins on the hardware items are backed with high profit accessories.



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Frank Shorter

Frank Shorter

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Canon T50

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Canon Snappy 50

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Stationery: $2.1 Billion

• **Full-line Discounters**	**$2.1B**
• **Specialty Discounters**	**N.A.**
• **Catalogers**	**—**

Full-line Discount Store Productivity

• **Sales**	**$2.1B**
• **Sales per Store**	**$258,971**
• **Department Size**	**1,850 Sq. Ft.**
• **Annual Sales per Sq. Ft.**	**$139.98**
• **Turns**	**3.5**
• **Initial Markup**	**46.7%**
• **Gross Margin**	**40.1%**

Licensed Products, Home Office Boom Help

Nationwide DSN Report

Discounters are capitalizing on the home office boom, continued strength in basic school supplies, and the steady stream of popular licenses to propel overall category growth.

Computer accessories like paper, mailing labels and 5 x 5 computer index cards are rounding out home office offerings, along with file cabinets and safes.

In school supplies, buyers have increased orders of winning licenses in items like theme books, portfolios and bookbags for the approaching back-to-school season although basics like filler paper and plain theme books will remain promotable BTS items.

The strength of these segments will help full-line discounters raise category volume to $2.1 billion, up from $1.8 billion a year ago.

This growth will be attained despite higher-price-induced weakening of filler paper, long a BTS basic and a key promotional item. Costs for filler paper have risen about 15% in the last year, forcing many discounters to pass along those costs to consumers.

The higher profits of licensed goods are earning them more shelf space and category prominence in 1984.

Having tested licenses last year and finding consumers willing to plunk down 40% to 80% more for character-stamped products, chains like Jamesway, Gold Circle and Richway will stock up to 15 sku's in licensed theme books and portfolios for the fall and five to 10 sku's in licensed school bags. Licensed portfolios yield 5% to 10% higher margins than basic ones, buyers said.

Overall, Richway has increased its total BTS investment in licensed products by 40% over last year, and is planogramming stores to carry about seven licenses in notebooks and about 10 in schoolbags, according to a chain

(Continued on page 119)

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Health & Beauty Aids: $5.6 Billion

Full-line Discounters	$5.6B
Specialty Discounters	N.A.
Catalogers	N.A.

Full-line Discount Store Productivity

Sales	$5.6B
Sales per Store	$690,591
Department Size	3,150 Sq. Ft.
Annual Sales per Sq. Ft.	$219.23
Turns	4.5
Initial Markup	26%
Gross Margin	20.5%

Diet Aids, Vitamins in Promo Push

Nationwide DSN Report

New products, many at higher price points, will help fuel a $400 million sales increase of health and beauty aids in full-line discount stores in 1984.

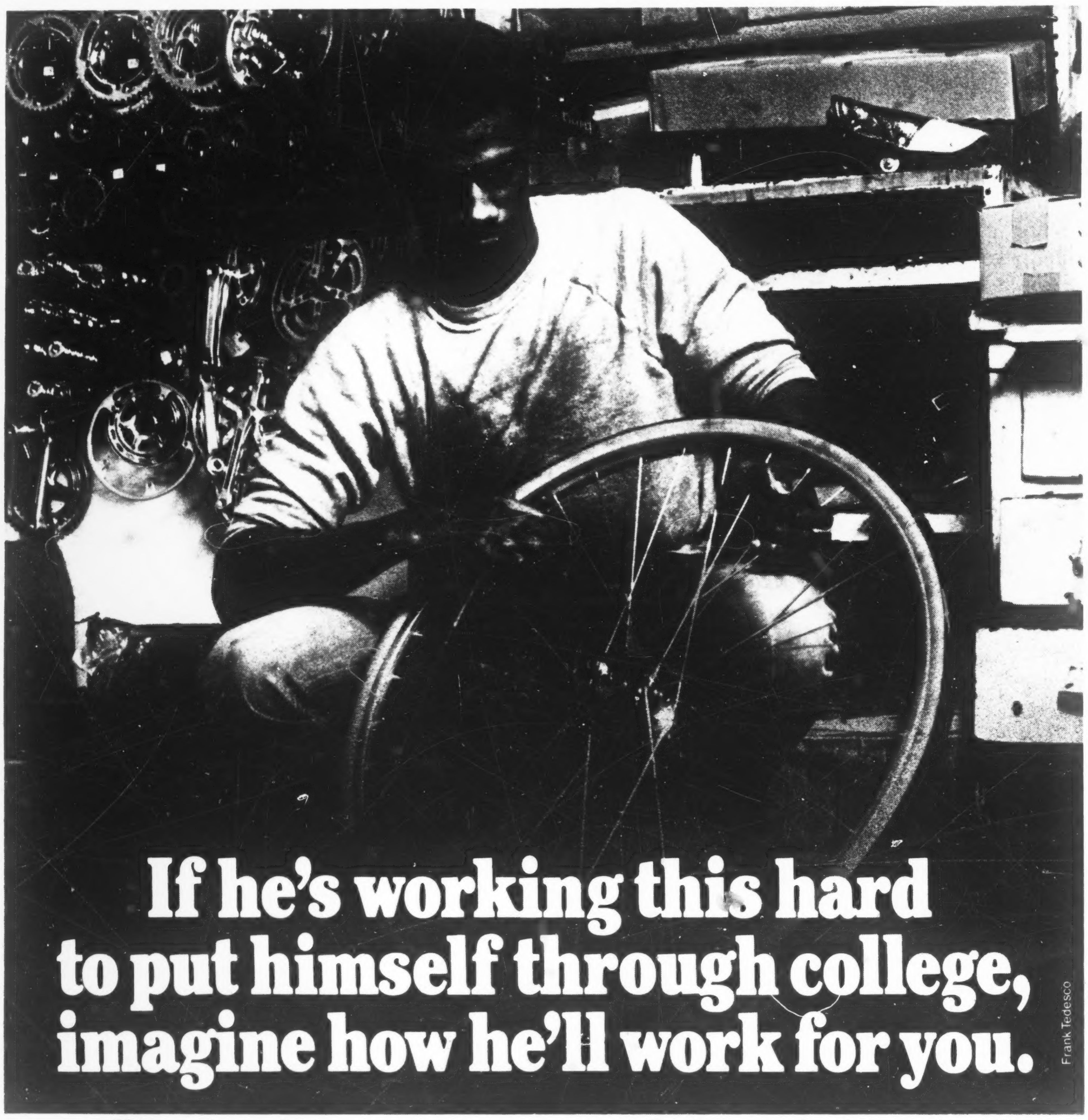
Total industry volume is expected to reach $5.6 billion this year, and turns, initial markup and gross margins also are improving. Annual turns in 1984 are improving to 4.5 from 4.2 in 1983, with initial markup edging up to 26% from 25.4% and gross margins rising to 20.5% from 18.8%.

H&BA buyers at discount chains say they will key their year-round promotions in this traffic-oriented department on hot diet aids and rejuvenated vitamin lines, adding youth-oriented skin medications and cosmetics in special seasonal ads.

Product improvements and greater advertising support by manufacturers are increasing consumer interest in this staple department significantly, buyers said. With many consumers intensely health and appearance conscious, vitamins and diet products are expected to be strong draws. Sales of over-the-counter diet aids are predicted by some merchandisers to increase by as much as 25% after a strong 1983.

Increased manufacturer advertising has successfully stimulated consumer demand for vitamins and other nutrition supplements, discounters report. Fads in supplements and the extension to vitamins of timed-release capsules have captured consumers' imaginations—and merchandisers at several chains have expanded their efforts to be identified with this trend.

Cataloger Edison Jewelers and Distributors, following a two-showroom test, has doubled vitamin space to 16 ft. in all eight units and is confident that higher-priced natural vitamins will be a strong growth area. "They only cost about 10% more than synthetics, and health-conscious people are not swayed by the price difference," a spokesman said.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Frank Tedesco

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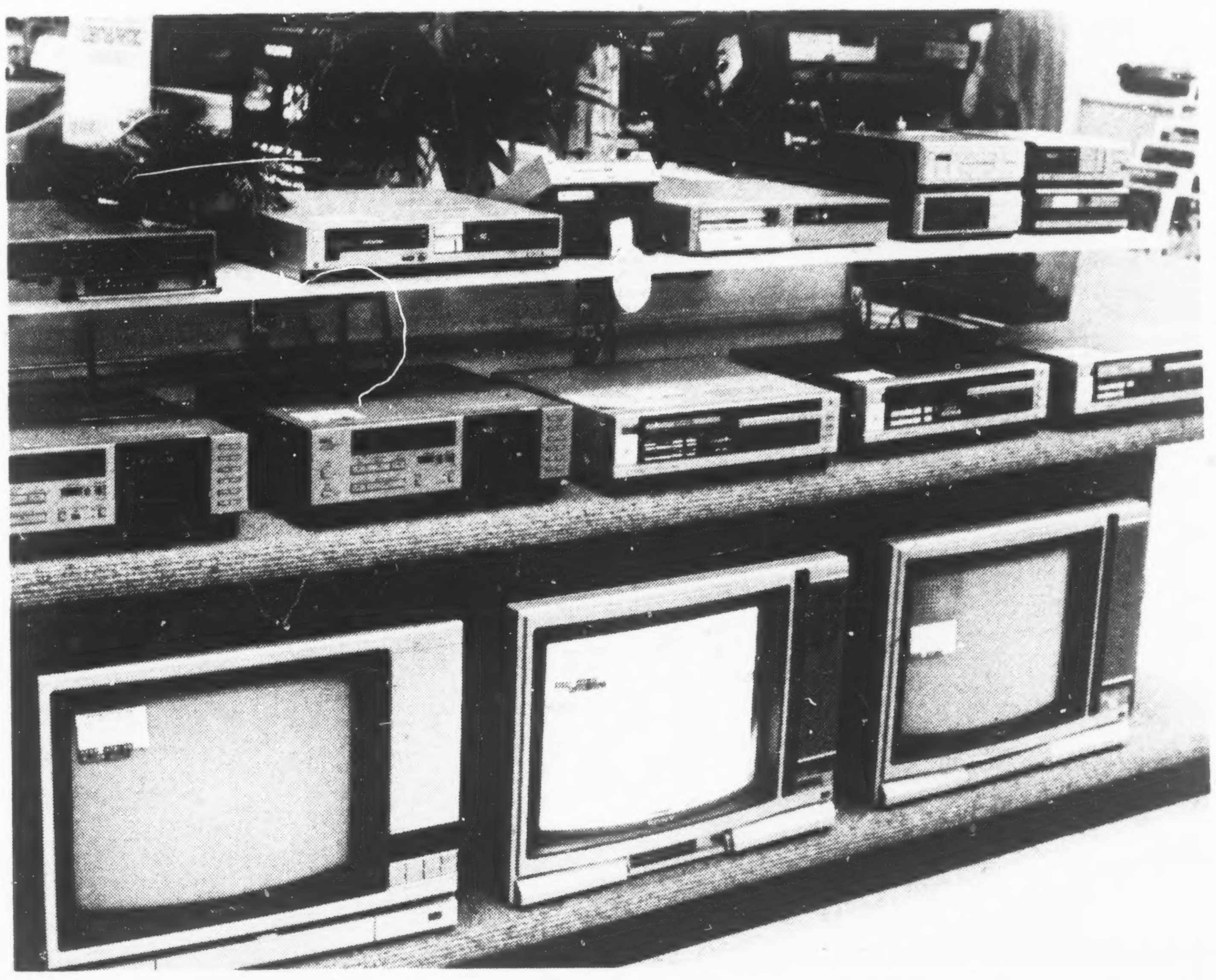
Consumer Electronics: $10.3 Billion

• Full-line Discounters	**$5.9B**
• Specialty Discounters	**$3.3B**
• Catalogers	**$1.1B**



Full-line Discount Store Productivity

• Sales	**$5.9B**
• Sales per Store	**$727,587**
• Department Size	**2,300 Sq. Ft.**
• Annual Sales per Sq. Ft.	**$316.34**
• Turns	**3.2**
• Initial Markup	**31.4%**
• Gross Margin	**19.4%**

Some Discount Chains in Van of Trade-up Movement

Nationwide DSN Report

Discounters' hot pursuit of the consumer electronics category—including a push into higher-end, higher-priced merchandise—is helping to position some chains at the front end of the so-called trade-up movement.

CE remains one of the major growth areas in the industry, not only among full-line chains, but among catalog showrooms and specialty discounters as well.

Coming off very strong gains last year, discounters are expected to sell more than $10 billion worth of consumer electronics gear by the end of this year.

For full-line discounters that projection means almost $6 billion in volume, up 9.3% from a year ago. Full-liners are also registering significant improvement in the category's performance: Turns are rising, to 3.2 from 2.9 a year ago; initial markup is gaining more than five percentage points to 31.4% from 26% in 1983 and gross margins are improving to 19.4% from 15.7%.

Video is the latest merchandise segment to push its way into the CE spotlight, but other major areas—home computers, audio and telephones—are continuing to capture the discounters' interest and shelf space.

After only a trickle of involvement with VCR's during 1983, many chains have begun

(Continued on page 109)

TDK
Quality Recording Tape
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CHOCOLATES

Photographed at Caldor, Yonkers, N.Y.

Video, TV Among Strongest CE Categories

(Continued from page 108)

or expanded their programs for the second half of 1984 and beyond. With speculation that VHS imports will soon enter the market priced below $300, the category is expected to continue its strong gains through most of next year.

Caldor was among the first major chains to bring in the video units, assorting four to five VCR's priced mostly between $450 and $650 during 1983. The chain has since shifted up in price points with better merchandise, priced between $500 and $800.

That may have been in response to the large number of chains adding VCR's to their assortments, including K mart, which is already doubling its selection from three or four units to six or eight units, depending on individual stores sizes and locations.

Not satisfied to stop there, the retail giant has been selling music video in some stores, led by Michael Jackson's "Thriller" documentary. But K mart's video buyer acknowledged that the long-term success of the program may depend on the relative strength of other music video hits, of which there have been few so far.

Other discounters, such as Roses and Gaylords, have also entered the VCR business typically with two units—positioned as the "good" and "better" models. According to some buyers, the "best" units—with their higher price points—have yet to prove themselves compatible with the chains' self-service formats.

Nonetheless, the full-line chains are following at least part of the trail blazed by catalog showrooms and specialty CE chains, which have found the video and television merchandise categories to be among their strongest.

The catalogers' CE offerings have typically provided up to 25% of total sales volume for the chains, which carry a broad selection of items including high ticket jewelry. For example, at Best Products, the Panasonic PV 1220 was the No. 1 seller in 1983, with a G.E. VCR coming in sixth.

Sales Estimated

Video and television have also led the specialty chains' sales, with the top five chains registering well over $400 million in volume for the segment. At Wards, which produced total sales of $357 million last year, the TV/video category contributed 47%—nearly $168 million. Similar results were recorded by Silo, Pacific Stereo and The Federated Group. Crazy Eddie, which recorded more than $111 million in sales during fiscal 1983, reported in its recent public offering that the TV/video segment produced its largest share of sales.

Discounters are still struggling to find a compatibility formula for their home computer business.

With memories of last year's fourth-quarter supply problems still in mind coupled with the continued rumblings of a shakeout, a number of chains have quietly backed off—but not out of—the merchandise segment.

Their strategy is to watch and wait for consumer demand and supply levels to pick up—while tracking the potential for high-end entries in the home computer arena.

While many discounters predict the category's return to prominence with the arrival of 1985, some, like K mart, expect an improvement before the year is out with the deliveries of new models from Commodore and Atari.

Although K mart includes the C-64, Vic-20 and Atari 600XL and 800XL in its assortment, actual inventories were spotty at store level. The chain indicated it was using the pre-fall '84 period to clear out old models. Simultaneously, it's been fine-tuning its earlier strides in presentation and increasing its software assortment.

There have been a number of chains that have remained solidly bullish on computers—counted among them Murphy's Mart and Hills, which have made major space commitments to the category.

Murphy's Mart, for example, recently added the Coleco game system conversion package for the Adam computer to its assortment, which includes the C-64 and Atari 800XL. Additionally, the chain has widened its software assortment dramatically, with further special-order capabilities maintained through its rack-jobber, Handleman.

Rack audio systems, as seen in Venture, Springfield, Ill., continue at the center of attention in full-line discounters, audio selections. Many chains have widened assortments and upped price points.

Murphy's Mart will aggressively advertise its computer center offerings beginning in the early fall.

Telephones have been capturing more and more of the discounters' ad space as the merchandise proliferates and low-end models continue to be cleared. For the most part, buyers are finding the category "steady and mature" but somewhat complicated by the steadily increasing number of players. A growing number of imports have been competing for the telephone business and, combined with the dumping of some overproduced items, have been eroding prices.

Through it all, the discounters have continued their emphasis on traditional phones backed by some feature-packed and cordless models.

Capitalizing on the replacement nature of the new business, some chains, like Heck's, have launched point-of-purchase programs, sometimes with "bag-stuffers," extolling the advantages of "owning not renting." The Heck's program makes actual rate comparisons for local telephone service during the purchased phone's payback period.

Additionally, in an effort to step up its customers to its feature phone offerings, as well as to offer basic advice on the traditional lines, the chain has launched a no-cost, manufacturer-backed training program for its clerks and department managers.

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Ladies' Apparel: $18.5 Billion

• Full-line Discounters	**$14.3B**
• Off-price Discounters	**$4.2B**
• Catalogers	**N.A.**

Full-line Discount Store Productivity

• Sales	**$14.3B**
• Sales per Store	**$1,763,473**
• Department Size	**10,000 Sq. Ft.**
• Annual Sales per Sq. Ft.	**$176.35**
• Turns	**4.6**
• Initial Markup	**48%**
• Gross Margin	**37.2%**

Several Full-liners Give Private Labels a Larger Role

Nationwide DSN Report

In ladies' wear, the largest volume category at discount chains, buyers have learned that labels are fine, but fashion sweetened by value will tow volumes higher.

Case in point: Gold Circle's Famous Brands for Less departments were tested last year as off-price sections featuring names like Jones of New York within the regular ladies' wear department. Those test departments have now been dropped.

This year, Gold Circle and its sister chain in the South, Richway, are offering New Views—a private label line of coordinated tops and bottoms in misses sizes. Designed with the help of parent Federated Dept. Stores' New York apparel staff, New Views is designed to offer the latest fashion looks and colors at a "value" price.

Similar private label development has landed Honors at Target, Barrier Reef at Prange Way, and a group of names at K mart, Hills and Bradlees.

House labels in apparel aren't new to the discount industry. But, several aspects of the latest efforts reflect recent refinements:

—Groupings based on what some call "concept dressing" are being seen more and more. They include coordinating separates targeted to reflect a certain stylelike casual or career.

—Chains are getting more involved in the actual product development, setting standards of quality and styling for the manufacturer.

—Introducing private label apparel lines at chains now includes a new presentation, hangtags, header cards and advertising.

In short, the chains are trying to tap consumers' fashion-consciousness and price-orientation quickly and in one fell swoop.

Getting the chain buyers more in touch with the shopper was one of the main reasons Venture closed its New York buying offices and moved ladies' wear merchandisers to its home base of St. Louis.

Discounters as well as off-pricers and catalogers are cashing in on a variety of segments within ladies' apparel. Juniors is one segment that has recently come into its own, thanks to the popularity of striped denim jeans in new shorter lengths, cropped pants, parachute pants and mesh/fleece novelty tops. In misses, career wear, plus sizes, petites and exercise gear are all part of today's apparel picture.

Even outside of private label, coordinated separates or tops and bottoms that can be mixed and matched have been sparking more multiple sales in chains' departments. In addition, chains including Ames are looking to further boost sales by bringing in next-season goods earlier this year to get more of the earlier premarkdown business.

Places Bets

As a result, the overall margins in discount chains' ladies' wear departments are climbing from last year's 36% to an estimated 37.2% for '84, discounters predict. Initial markup is likewise expected to go up—to 48% for the year compared to 45.1% a year ago.

Discount chains' ladies' wear volume is slated to total $14.3 billion this year, up from $13.3 billion for 1983. Sales per square foot are expected to hit $176.35 compared to $164 last year.

All these gains are projected while chains hold department size to the same average 10,000 sq. ft. Not a surprising trend, considering stated goals at chains from K mart to Murphy's Mart to pack more goods into the limited space.

Like their counterparts in full-line discounting, apparel off-pricers are making adjustments in the way they vie for a slice of the $4.2 billion in ladies' wear sales the industry is expected to ring up for the year.

Marshalls, for example, is borrowing a tactic from the No. 2 chain, T. J. Maxx, in separating juniors and misses apparel on the sales floor. Management said the move will help shoppers find their size more quickly.

For some chains, like U. S. Shoe's T. H. Mandy, the heightening competition for the ladies' wear off—price dollars hurt margins last year. This year, the company is trying a new ladies' wear retail concept, Hilliary Jaymes, which is stressing labels less and fashion/value more.

Slimming margins and other pitfalls of ladies' wear off-pricing brought the Dayton Hudson Plums operation in California to a halt after six months.

This fall, when Federated launches its family apparel operation, Mainstreet, the focus will be on moderate prices rather than on the higher-end "elegant discounter" positioning taken by Plums. In fact, Mainstreet is not an off-pricer, but a budget store that will eventually sell 33% private label as well as brand names.

In any case, the chain's three-unit entry into Chicago this fall and a second multistore launching in another market next year promise to further segment the ladies' apparel market.

Catalog showrooms are now taking on ladies' wear and other apparel categories to keep women visiting their stores year-round instead of just at holiday gift-giving times.

plus save on famous retail store la
ment our first price
what you'd expect to pay

Off-pricers like Filene's Basement look to establish a higher profile in the competitive ladies' wear category. The chain's latest prototype in Danvers, Mass., puts trendy juniors looks closer to the entrance.
(DSN photo)

Catalogers, such as Pittsburgh-based David Weis (shown), are turning to fashion apparel to attract female shoppers into the showrooms year-round, instead of primarily at gift-giving times. *(DSN photo)*

Men's & Boys' Wear: $10.3 Billion

- **Full-line Discounters** **$8.2B**
- **Off-price Discounters** **$2.1B**
- **Catalogers** .... **N.A.**

Full-line Discount Store Productivity

• **Sales**	**$8.2B**
• **Sales per Store**	**$1,011,222**
• **Department Size**	**7,690 Sq. Ft.**
• **Annual Sales per Sq. Ft.**	**$131.50**
• **Turns**	**3.4**
• **Initial Markup**	**44.6%**
• **Gross Margin**	**36%**

Young Men's: An Expanding Classification

Nationwide DSN Report

This year the men's and boys' category expanded to embrace a growing classification: young men's.

Caldor went the distance by giving the young men's category its own buyer, budget and floor space allocation early this year.

At the majority of chains, the break-out of young men's included a change in space allocation and presentation along with an increased percentage of the men's wear buy.

Ames is one chain that started testing a separated young men's presentation on the selling floor this spring.

Most other chains, however, will use the fall back-to-school season to test the viability of the area with everything from full-fledged boutiques to a group of circular racks highlighting young men's looks. Richway, K mart, Target and Bradlees are among those with fall roll-out plans.

The styles that currently qualify as young men's run the gamut from Michael Jackson-inspired multizippered and leather-look jackets to nylon parachute pants, military looks in bottoms and tops, pieced novelty tops and chintz tops with zip-off sleeves.

As the new push to appeal to the fashion sensibilities of younger men combines with sales from some of those same looks spilling over into boys' wear and more coordinating themes in basic men's wear, discounters expect to see category sales hit $8.4 billion by the year's end. That projected 10.8% increase would keep men's and boys' wear at just over 10% of the full-line discounters' total volume.

Promising Area

Turns from the category for full-line discounters are expected to edge up. Last year's 3.2 annual turns should increase to 3.6 by the end of 1984.

Initial markup at these chains, however, is slipping from 45.1% last year to a projected 44.6%, according to *DSN* research. Gross margins are predicted to end the year a little higher—at 36% vs. 35.3% for 1983.

Meanwhile, the highly competitive off-price apparel industry, which includes chains like Marshalls, T. J. Maxx, Filene's Basement, Syms and NBO are expected to account for $2.1 billion in men's and boys' wear sales for the year. In the case of family apparel off-pricers that stock several classifications, the categories typically contribute close to a quarter of the volume.

Syms, which looks to men's wear for 70% of its volume, is into Chicago and Philadelphia this year to claim part of the men's apparel volume in those markets. Unit count at that chain is rising from 11 to 14 this year.

The off-price men's wear business promises to get even hotter in 1985 when the $50 million-plus NBO chain embarks on its three-year plan to open seven stores per annum. In addition, that chain's new Canadian shareholder—Dylex—is reportedly planning a multiunit entry of its Tip Top stores into the United States retail arena, specifically Chicago, next year.

Off-pricers' Rivalry Is Set to Heat Up In Children's Wear

Nationwide DSN Report

On the off-price front, the competition for the children's wear business promises to heat up this year.

Not only are family apparel stores like Marshalls, T. J. Maxx and Ross stores in the children's wear business, Federated's Children's Place and Children's Outlet stores and Toys "R" Us's Kids "R" Us are planning to expand.

By year's end the year-old Kids "R" Us chain will at least double the store count from four stores currently in New York and New Jersey to eight or 10. The company has also announced plans for 15 to 20 additional Kids "R" Us units in undisclosed markets in 1985.

The Children's Place/Children's Outlet stores are slated for a new prototype in August. According to parent Federated, the 114-unit operation spanning 19 states will expand to 500 units by the end of the decade.

As for the supply situation, children's wear buyers are juggling orders because of low supplies on imported knit sweaters and fleece-backed infants' wear.

But, licensed items and a higher percentage of goods made in America are keeping the chain's departments filled

Most chain buyers did two things in anticipation of tight supplies for back-to-school: They ordered import items a month or two earlier than normal and also ordered a lot more of their back-to-school selections from domestic sources.

"I'd rather have a domestic item on the floor at a $1 higher price point than not have anything out there," is how one merchandise manager explained the options.

Because quotas in the Orient restrict items such as knit tops, limited quotas forced importers to go with higher priced adult goods.

By February, import items like winter coats and fleece-backed infants' wear for fall were reportedly sold off.

Fall looks to be hot sellers for girls include corduroy and quilted jumpers, corduroy pants, novelty (striped) jeans and sweaters with novelty prints.

In girls', toddlers' and infants' wear, licensing is still seen as a strong part of the business.

Caldor, like most other discounters, is cashing in on the popularity of cute characters in licensed children's apparel. Sleepwear and play sets like these are the categories where licenses sell best.

(DSN photo)

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Tell Them You Saw It In Discount Store News!

CENSUS '84/'85

Licenses, Home Office Boom Help

(Continued from page 104)

spokesman.

Jamesway, too, is increasing its investment, but more modestly, by about 5% over last year; Gold Circle's budget for licenses will remain flat at about 15% to 20%.

Garfield, the Care Bears, the Cabbage Patch Kids and Michael Jackson are the characters most often mentioned by buyers, although new movie licenses like *Gremlins* and *Indiana Jones and the Temple of Doom* have recently begun to command attention.

In some chains like Jamesway and Zayre, theme books, portfolios, memo pads and other items are grouped together by license to create a theme.

Other discounters continue to rely on proven basics such as plain 40- and 70-count theme books that lend themselves to three-for-$1 promotions. A Kingsway buyer noted that his price-conscious consumers would rather pay 49¢ for a plain 70-count notebook than 99¢ for the licensed item.

For BTS and everyday, discounters view stickers as a natural tie-in to school supply sales, and in many cases, have moved stickers from toys into stationery.

For discounters, sticker sales mean a 55% gross margin and five turns annually.

Computer accessories, the youngest segment in discount store departments, has yet to attain that same high profile.

Current discounter strategies call for keeping inventories low and limiting advertising until buyers can measure computer accessories' strength in stationery—relative to its potency in the consumer electronics departments.

Gold Circle, for instance, has begun a chainwide test of three sku's: 2-packs of SCM 9½-x-11 540-count greenbar paper for home computers—one with 2-part carbonless paper—and the pack of 540-count 11 x 14⅞ paper for office computers are priced at $9, $12.99 and $14.99.

Danners has been carrying eight sku's of computer paper on 4 ft. of shelf space since last fall. Prices range from $8 for a pack of 15-20-count 9½ x 11 paper to $20 for a 50-lb. pack.

Cataloger Dahlkemper has gone beyond the experimental stage, increasing the number of sku's it stocks in computer paper, mailing labels, envelopes and letterhead from 10 to 14.

Service Merchandise, however, has already promoted in its catalog Rediform 9½ x 11 1,000-count plain bond printer paper for $14.95 and 9½ x 11 500-count 2-part carbonless paper for $19.95.

Heck's, following steps taken by several discounters and catalogers last year, recently began merchandising office supplies and furniture in the stationery area to capture the small business and home office market. The chain upped its space from 8 ft. to 20 ft., its office product offerings by 35%, and moved its two sku's of file cabinets and four sku's of safes from hardware to stationery.

Writing instruments have sparked less excitement than other categories for the fall, although discounters like Heck's and Fishers Big Wheel are enthusiastic about novelty items.

Space-saving Products Gain

(Continued from page 78)

counters have been spared having to deal with another perennial headache—widespread rebates. Because manufacturers have substantially limited rebates for newer space-savers, paperwork nightmares and the problem of scheduling promotions to coincide with the rebates have been alleviated.

Hand-held vacuums, in chronically short supply last year, are far less frequently out-of-stock this year because discounters and catalogers alike are stocking and promoting multiple brands. While Dustbuster, because of Black & Decker's effective advertising, remains the leader, Consumers Distributing, for example, added two additional brands—Norelco and Douglas. A spokesman said the action was taken partly because of Dustbuster supply problems, but also because margins were particularly low. Still, at least one hand-held vac is promoted in every monthly Consumers Distributing flyer.

While the latest offerings from manufacturers include few truly innovative products, the current refinements of old standards are attractive to consumers. Freeing counter space in small kitchens itself is gratifying to most consumers and by combining functions, such as putting a clock in a coffeemaker, kitchens can be made even less cluttered.

While the pros and cons of space-savers may be merchandisers' hottest topic, buyers are also pleased by the performance of many other more staple lines. Basic coffeemakers, food processors, blenders, lower-priced microwaves and others are pushing department sales steadily higher.

Development Anticipated

At ALCO, for example, irons, which are hardly a trendy or fashion appliance, recorded a 55% sales increase in 1983, prompting the chain to introduce higher-priced electronics this year to continue the gain. A spokesman attributed the rising popularity of natural fibers in apparel, which need more ironing, as a major factor influencing this growth.

Microwaves, especially now that prices have been substantially reduced from initial levels, have emerged as a department staple—one that has made possible much cross-merchandising of nonelectric accessories as well. Early safety concerns about microwaves have been almost totally forgotten by consumers because of the enormous convenience of the appliance, a Fishers Big Wheel spokesman observed.

notices of TRADE PROMOTIONS & ALLOWANCES

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Electronic Home Shopping Widened by 'Mall' Concept

By ARTHUR MARKOWITZ

STAMFORD, Conn. — The mall concept has come to the fastest-growing portion of electronic retailing—home shopping via computer.

Comp-U-Card, a pioneering electronic home shopping service, has expanded its operation from its original discount "store"—a data base with information on 60,000 sku's of brand name merchandise—to an "electronic mall" that provides goods and services from different discount and full-margin retailers.

Consumers who used Comp-U-Card's services last year purchased about $30 million worth of merchandise and the figure is projected to go to about $70 million this year, sparked by the development of the electronic mall, one source said.

Computer shopping is a generic term used to describe non-retail-store shopping through the use of such devices as home computers, TV and telephone hookups and video disks.

The mall concept of offering goods and services from a variety of retailers is already available from two other types of electronic retailing: interactive video disks and videotex provided through a TV and telephone hookup.

Comp-U-Card this month is due to add a discount drug store, a discount travel service and an automobile showrooms to its Comp-U-Mall electronic mall begun earlier this year, which already offers merchandise from such sources as the seasonal catalogs of I. Magnin and Neiman-Marcus, Saks Fifth Avenue gift boutique, *The New York Times* Best Sellers book store, Tropicana Fruit Club, Hickory Farms gourmet foods, E. A. Carey Smoke Shop, Omaha Steaks and Legal Seafoods of Boston.

Comp-U-Mall is available

(Continued on page 34)

Home computers have enabled Comp-U-Card to expand its electronic retailing from a telephone service to an "electronic mall" in which consumers can order goods from a number of retailers.

"We try to be middle-of-the road, not trendy."
—Gene Kosack, president, NBO.

Sales Big, Also Costs As NBO Tries NYC

By KAREN PAXTON

NEW YORK — NBO's bite of the Big Apple has been bittersweet; so far volume is high, but so are operating costs.

Last spring the men's wear off-pricer unveiled a two-story, upscaled prototype store with 12,000 sq. ft. of selling space just a block away from the Lincoln Center performing arts complex. The location is a giant step away from the typical sites of NBO's other 13 stores—all located in suburbia.

Sweetening the stakes at the new urban store is the chain's ability to offer higher price points than those that sell well in suburbia. In addition, the Manhattan store pulls pedestrian traffic from tourist crowds on the weekends, city dwellers en route home in the evenings and a smaller executive lunch-time crowd.

In fact, in-store traffic jams on weekends have made the chain move its checkout counter from along the main aisle, just inside the entrance, to the right front corner, further inside the store.

Sales at the four-month-old

(Continued on page 33)

Lacy Switched to New Post

Best Products Completes Revamping Of Top Brass By Hiring CD's Rubinoff

RICHMOND — Best Products has completed revamping the leadership of its merchandising operation by hiring Robert A. Rubinoff as senior vice president-merchandising and moving Linwood A. (Chip) Lacy, who had held that post, to senior vp-marketing, a new position.

Rubinoff had been senior vp-merchandising at Consumers Distributing (United States) for the past year-and-a-half. At Best, he again teams up with Bernard Cohen, his former boss at CD. Cohen had been president of the United States arm of Consumers Distributing (Canada) before he joined the Richmond cataloger two months ago in the newly created post of executive vp and president of the Best retail group.

Rubinoff and Lacy each report directly to Cohen. The exact interfacing between the merchandising and marketing responsibilities—which previously were combined under Lacy—was being worked out at presstime, a company spokesman said.

The only major executive spot still open at Best is chief financial officer, which had been held by Joel D. Koblentz, who resigned that post in mid-May but continued to be "available to

(Continued on page 33)

Digest

Aug. 6, 1984

HARDWARE

- **An increase in consumer** DIY fix-up activity boosts chains' confidence. (p. 22)

HEALTH & BEAUTY AIDS

- **Products tied to the baby** boomlet look strong, but buyers have to compensate for low J&J margins. (p. 20)

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Dramatic Remodeling Begins At Fred Meyer's Grand Central

SALT LAKE CITY — Fred Meyer is rushing to begin remodels of its newly acquired Grand Central chain in an effort to bring the stores into conformity with its prototype.

The changes will be dramatic. Among the areas to be added are home improvement centers, fine jewelry and sit-down, full-service shoe departments. But for now, at least, there are no plans to include supermarkets in the Grand Central stores—a recognition of their generally smaller size than the Fred Meyer units as well as current lease restrictions.

Work on one store here began last month, within days of the takeover's final approval, with a reopening slated for the middle of this month, according to a Fred Meyer spokesman

The acquisition doubled Fred Meyer's trade territory from four to eight states, and gave it 101 stores, a nearly 50% increase. The combined general merchandise sales of the two chains last year was estimated at $1.1 billion, making the privately held company the ninth largest discount department store chain in the nation.

Its reach now extends from Alaska to New Mexico.

In the meantime, all of Grand Central's buying and merchandising functions have been transferred to Fred Meyer's Portland, Ore., headquarters. Grand Central's main offices here will become the eastern regional offices for the parent company, according to the spokesman.

(Continued on page 34)

IN BRIEF

- **K MART WILL ACQUIRE WALDENBOOKS FROM CAR**ter Hawley Hale for $295 million, and will pay $5 million to General Cinema.

- U.S. Shoe's Home Front off-price home fashions division has entered into an agreement to operate leased linens, domestics and housewares departments in all new Burlington Coat Factory off-price apparel stores. As a result, the Burlington Coat chain will pick up the housewares category for the first time. Alan Gladstone, chairman of Home Front, expects the plan to involve 17 yet-unopened Burlington Coat stores this year and up to 25 more in 1985.

- **K MART HAS STEPPED UP EXPANSION OF ITS FINAN**cial services program by teaming with First Nationwide Savings in San Diego to offer money market accounts, IRAs and savings certificates.

Isaacs' Remerchandising Efforts Start to Take Hold at Heck's

NITRO, W. Va. — Projects set in motion by Heck's chairman Russell Isaacs, now reaching store level on schedule, are expected to produce 10% sales gains and "better than 10%" net earnings gains in fiscal 1984 and 1985.

Isaacs' emphasis on improved operating efficiencies rather than expansion—since returning to the chain in early 1983 after a four-year absence—has begun to show results: Year-to-date, sales are up 8% despite the chain's slashing its annual advertising budget by $4 million, or 25%, and many of its stores "being torn up" during its massive resetting and replanogramming program, Isaacs said.

Moreover, its predominantly Appalachian markets, which suffer 13% unemployment compared with the 7% national rate, are providing little opportunity for sales growth.

"There's no reason we can't achieve a 20% decrease in inventory dollar investment chainwide."—Russell Isaacs, chmn./ceo, Heck's

Heck's is banking on revamped layouts and new planograms for 115 of its 122 stores; its new direct importing program; greater soft goods emphasis; lower chainwide inventory investments; establishment of private label in several merchandise categories, and improved distribution center productivity to move toward its goals, Isaacs told *DSN* in an interview.

So far, 60 stores have been completely reset to include a race track aisle and speed tables; the rest are scheduled for Oct. 1 completion.

Split gondola runs are quadrupling the number of endcaps and speed tables from 35 to 140 per store, said Isaacs, who is targeting 50 different products for them—led by consumables, trial-size H&BA and tennis balls. "We're eliminating most manager discretion on what to endcap," he said.

Resets, designed internally and averaging $40,000 apiece, further increase product exposure by ascending fixtures toward the rear part of the stores and keeping a low profile up front.

Heck's expects these steps to help boost sales per square foot from $93 last year to $100-$105 this year and $115-$120 in 1985, and sales per store from $3.3 million last year to $3.6 million in 1984 and $4 million in 1985.

Additionally, Heck's ability to move more goods through its distribution centers enables the chain to eliminate retail unit backroom space and add roughly 2,500 sq. ft. of selling space per store. Most Heck's units are in the 40,000- to 50,000-sq.-ft. (gross) range.

The discounter's new planograms, which are 80% completed at headquarters and slated to

(Continued on page 33)

Consumer Reasons for Buying

(% of shoppers rating as very important)

Factor	National Brands	Store Brands
Quality	91%	80%
Price	73	74
Coupons	50	47
Liked other store brands tried	—	41
Always buy this brand	37	—
Packaging	30	26
Advertising	21	—

Source: PLMA/Gallup

Ways to Encourage Store-Brand Purchases

Factor	% of Shoppers indicating Strong interest	% of Shoppers indicating Moderate interest
Ingredient-equivalency signage between national brand and private label	54	30
Store's guarantee of satisfaction on package	53	29
Availability of trial sizes	49	28
Compare-and-save signage	48	33
Coupons or special promotions	45	31
Advice from neighbors or friends	36	36

Source: PLMA/Gallup

Shoppers' Loyalty Strongly Impacted By PL: Survey

Nationwide DSN Report

Discounters developing private label programs might weigh their own expectations against surprising findings of a recent nationwide Gallup Poll of supermarket shoppers.

In the study of 10 key health & beauty aids and consumables products—most of which are also sold by discounters—1,104 respondents pointedly showed how store brands can influence their loyalty to stores.

The study centered on shampoo, vitamins, tampons, paper towels, plastic bags, pet food, dishwashing detergent, frozen vegetables, jelly and spaghetti. It made no firm conclusions about private label in other merchandise categories, such as apparel, where discounter efforts are escalating.

Still, the survey, which was commissioned by the Private Label Manufacturers Association, speaks broadly to consumers' willingness to buy store brands over national brands when they trust the retailer.

Consumers may be more accepting of private label—with 42% buying more this year than last, and 30% the same as in 1983—but they're no less demanding in quality, survey findings showed.

Indeed, retailers who merchandise private label may find the risks as imposing as the reward. Store brands whose quality levels disappoint trusting customers may be driving a good portion of them out of their stores, the survey revealed.

Among customers displeased with a store brand purchase, "one-third will consider a different retailer next time to try its store-brand offerings," the survey said.

A more forgiving 37% would "skip the bad item next time, but stick with other store brands of this retailer," it added. Just 18% would switch to the comparable national brand.

"For the retailer, then, a commitment to quality in store brands apparently can ensure the loyalty of that segment which is the most committed to the retailer," the survey said.

Indeed, when selecting a primary store for shopping, consumers polled felt that variety and quality of private label selection were more important than those of national brand offerings.

Some 73% said store-brand quality was "very important" in choosing where they shop, compared with national brands' 67% level of mention; 60% cited store-brand variety over national brands' 49%.

Private label's high ratings are attributable in part to consumer beliefs that national brand manufacturers produce them. Nearly two-thirds, or 65%, of consumers said this. Moreover, retailer tactics to mimic national brand packaging

(Continued on page 33)

Off-pricer Ross, on an Expansion Kick, To Convert 15 Homer's Home Centers

SAN FRANCISCO — Off-pricer Ross Stores purchased 15 former Homer's home centers in Texas and Oklahoma City as part of its 1984 expansion plan to more than double unit count.

After those ex-home centers reopen as Ross Stores late in the fall, the chain will have entered a total of four new states and added 37 units to the 26 it had at the start of this year.

Operating 63 units by the holiday season insures the chain will hit its projected $200 million in volume for the year, said president Don Rowlett. Last year the chain chalked up about $77 million in sales.

All 15 of the former home center sites bought by Ross from the San Diego-based Handyman division of Edison Brothers Stores are located in strip centers with grocery stores and drug stores.

Sizes of the stores range from 40,000 to 50,000 sq.-ft., said Rowlett. The Ross store format of apparel for ladies, men and children and accessories, shoes and domestics takes up only 38,000 to 40,000 sq. ft. (including backroom), he added. Therefore, the chain will be leasing out as much as 10,000 sq. ft. from the larger of its newly purchased locations.

At presstime Rowlett said no one had been approached as a potential lessee. He was certain, however, that any lessees will operate as separate stores rather than as departments within the Ross Stores.

The purchase for an undisclosed amount will place Ross in Dallas, Austin, Houston, Longview and Lubbock, Tex., as well as in Oklahoma City before the close of the year.

The first part of Ross Stores' 1984 push into new markets will come on Aug. 15, when the chain will land in Seattle and Phoenix with four stores in each market, Rowlett said. On the same day the chain is also slated to unveil two new stores in its

(Continued on page 34)

ROSS
MEN
Dress
MEN
NAME B

Ross Stores is slated to have a total of 63 off-price apparel stores in seven states by the end of the year. Of those, 15 are recently purchased ex-Homer's home centers in Texas and Oklahoma.

1st Attempt Is Abandoned

Crazy Eddie, Trying Again to Go Public, Is Said to Plan Lower-Priced Offering

NEW YORK — Crazy Eddie plans to discount its stock offering in a second attempt to go public, slated later this month.

The 13-unit consumer electronics chain based here is expected to significantly lower its asking price, as well as the number of shares being offered. The initial two million share offering was expected to sell at between $11.50 and $13.50 a share. No new figures were available at presstime.

The chain's first preliminary prospectus was allowed to expire in mid-July because of "poor market conditions."

"There was a feeling it was somewhat overpriced for the current market," said a spokesman for Oppenheimer & Co., the principal underwriter.

When the new red herring is issued, it will include the chain's audited results for the full fiscal year ended May 31, 1984. The first prospectus showed sales for the first eight months of $95.3 million, with net earnings of $3.1 million.

Those figures indicated a 26% increase in sales and a 222.5% jump in net profits over the same period a year earlier.

Although the chain's 36-year-old chairman Eddie Antar was reportedly well received during Oppenheimer's "road show"—a series of meetings around the country with members of the investment community—the company's offering met with raised eyebrows among some because of a series of family-related transactions.

The first prospectus disclosed that Antar businesses owed Crazy Eddie $5.1 million, creating a $2.4 million deficiency in working capital. The Antars were to personally repay those loans, mostly with the proceeds of their 700,000-share portion of the stock sale.

The impact of the smaller, lower-priced stock offering on those plans couldn't immediately be determined.

A number of companies, including some retailers, recently experienced trouble going public because of the soured stock market. Among those are three closeout retailers: Consolidated Stores, Wags and Tuesday Morning.

The proceeds from the Crazy Eddie offering were partially slated to be used in its expansion.

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Vol. 23, No. 16 August 6, 1984

Troubled ClubMart Goes Open-Door, Names Pesso coo

NEW YORK — ClubMart of America, founded by Eugene Ferkauf, has made major changes in its operation, including dropping its membership format, selectively raising its merchandise margins which were 7.5%, and obtaining a de facto new chief operating officer, Jack Pesso.

Knowledge of the pending changes motivated Ferkauf to leave the company two months ago (see *DSN*, May 28, p. 1). In doing so, he and his wife, Estelle, sold a total of 650,000 company shares for 30¢ a share or $195,000. Estelle Ferkauf retained 100,000 shares.

Eugene Ferkauf
His baby's format changes.

When ClubMart went public a year ago with a 1.3 million-share offering, it traded as high as 12⅛, but at presstime was about 1 in the over-the-counter market.

Ferkauf had been chief operating officer and vice president, a post that paid $100,000 a year, the same received by Dale L. Vincent as president and chief executive officer.

Pesso is a New York area retailing entrepreneur, who owns about 20 stores and at presstime was described as a merchandising consultant.

Vincent said Pesso's relationship with ClubMart "hasn't yet been formalized." But, he is "acting" as the head merchandising and operating officer because other company executives—Vincent and the board—"are financial people."

Pesso is "likely to become a shareholder in the company," Vincent added.

ClubMart—which Ferkauf said was a throwback to his original Korvettes concept (see *DSN*, Jan. 9, p. 3)—was phasing out the money-losing men's furnishings and luggage departments at presstime. The purpose was to free footage in the three-level store's 13,000 sq. ft. of selling space to expand the potentially more profitable areas like giftware and consumer electronics.

Vincent said ClubMart had sharply cut its year's sales projection from over $18 million to $6.5 million to $7 million.

The change in operation, which was a key factor in Ferkauf leaving, was designed to save ClubMart, which had lost $1.3 million on about $3 million in sales during its first six months ended April 1984.

Besides opening its doors to the public, ClubMart has also dropped about 35 employees to reduce its staff to about 55, thereby trimming expenses by $750,000 on an annualized basis, Vincent said. Among those let go were three of four former Korvettes buyers: Murray Beilinson, small appliances, luggage and gifts; David Rothfeld, home entertainment, and Joe Silver, photo.

The format changes reflected input from Pesso, who owns jewelry, handbag, food and gift and china stores in the Metro New York Area, including three jewelry units in the Roosevelt Field shopping center.

While ClubMart so far had run its own departments, Pesso has arranged some merchandising deals between the company and Hempstead China, which he owns. He may become a leased department operator

(Continued on page 33)

10%-40% Off List at Discount Book Chains

Book Chains	Sales 1983 (millions)	No. of Units 1/84	No. of Units 1/85	Average Store Size (sq. ft.)	Discount Off Publisher's List Price: Hardcover Best-seller	Hardcover New Release	Paperback Best-seller	Paperback New Release
Full-Margin								
B. Dalton Bookseller, Minn.	$445	701	751	3,500	—	—	—	—
Waldenbooks, Conn.	407	856	900	2,600	—	—	—	—
Discount								
Barnes & Noble, N.Y.	125*[A]	75	85	1,500	33%	15%	25%	10%
Crown Books, Md.	91	158	233	3,000	35	20	25	10
Pickwick Discount Books, Minn.	N.A.	5	24	2,500	40/30[B]	20	30	10
Encore Books, Pa.	13.5*	19	23	3,000	35	20	25	10
Bookmania, Calif.	12*	5	N.A.	2,000	35	10	10	10
Bookstop, Tex.	10*	3	6	8,500	35	20	20	20

[A] *Includes sales from 40 campus locations, supermarket books and mail-order divisions.*
[B] *Pickwick discounts top three* The New York Times *best-sellers 40%; others are reduced 30%.*
**DSN estimate* *N.A.—Not available*
Source: DSN research

Discount Book Chains Changing The Shape of an $8B Industry

By LARRY CARLAT

Discount book chains are shaking up the staid $8 billion industry.

Although the field continues to be dominated by full-markup giants B. Dalton Bookseller and Waldenbooks, together accounting for ver 10% of the market, upstarts like Crown Books are starting to cut into their business.

At presstime, Carter Hawley Hale Stores sold Waldenbooks to K mart for $295 million—$10 million more than the option to buy held by General Cinema.

Crown, 158 stores strong, jointly owned by drug retail powers Thrifty Corp. and Dart Drug, is changing the shape of book retailing using a discounter's traditional weapons: deep discounts (10% to 50% off publishers' list prices); low margins, and heavy volume.

Currently in seven major metro markets, Crown is the first national discount book chain to emerge.

Barnes & Noble, already an East Coast powerhouse with 35 retail units, is making a national impact with programs including a giant mail-order program, (it distributes over 10 million catalogs), 40 campus stores (at East Coast, Midwest and Southeast colleges) and a subsidiary division, Supermarket Books, a wholesaler to over 80 supermarkets, drug stores and other outlets (including discounter Bradlees where B&N lends its name and provides fixturing).

Pickwick Books, the entry of retail innovator Dayton Hudson, parent of B. Dalton, is another chain aiming for nationwide growth.

Plans call for Pickwick, currently operating four stores in Columbus, Ohio, and one in Denver, Colo., to expand to 24 units by the end of the year, although new market entries haven't been disclosed.

40% Off Top Three

Pickwick features 7,500 titles and boasts the biggest discount in the industry, taking 40% off the top three *The New York Times* best-sellers. But that deep cut is confined to those three titles; it only reduces other best-sellers by 30%.

Other small, more regionalized chains like Encore Books in Philadelphia, Bookstop in Austin, Tex., and Bookmania in northern California are bidding for the business with similar "cutthroat" pricing, 35% off *The New York Times* best-sellers and marketing strategies aimed at distinguishing themselves from Crown and each other.

For now, the regional chains operate with little or no competition in their territories. However, common industry problems like slow deliveries, rising costs of returns, tight margins and the volatile nature of the business are keeping profits slim.

Currently, Crown Books sets the pace for the discount book industry, with sales which grew from $6 million in 1978 to $91 million in 1983. Last year's pretax earnings more than doubled to $4.9 million from $2.3 million in 1982.

In 1983, Crown raised over $60 million in its first public offering and will use the funds to double the chain's size by 1986. The chain soon to be entering Seattle, is considering further moves into Texas and Washington, with Pennsylvania and New York as possible new market entries.

Many aspects of Crown's successful blueprint have become standard traits of most of the newer discount book operations, including:

- Discount pricing which drives the business: Crown takes 35% off *The New York Times* hardcover best-sellers, 25% off best-selling paperbacks, 20% off new-release hardcovers and 10% off all other paperbacks.
- Cherry-picked, limited selection—up to 10,000 of the most popular titles.
- No-frills customer service.

(Continued on page 4)

Richway 'Masters' Its Automated DC

ATLANTA — Richway has finally "mastered" its automated distribution center first unveiled here two years ago, said Joseph Sheram, senior vp of finance and distribution.

Next year the center will serve 16% more stores as the chain adds five units in Florida—its operating state furthest away from home base in Atlanta.

That upcoming increase shouldn't be a problem for the center, which Sheram said can handle at least 30% (or 10) more stores without expansion. This year the DC will process about 8,000 shipments, compared to 3,800 last year.

Sheram's staff has only to convince buyers to take advantage of the increased speed with which the center is now processing merchandise. Those buyers are skeptical after having struggled through two years of getting the center fine-tuned.

"This kind of facility is not normal to retailing but is normal in manufacturing. In the materials handling world it can take a year and a half or so to get new systems rolling," Sheram said.

A fully automated materials handling network—composed of a tilt-tray sortation system, carton conveyors, an 80-ft.-high automatic storage/retrieval system (AS/RS) and a guided vehicle system—moves 90% of the merchandise through the 225,000-sq.-ft. center without the use of forklifts or manual labor. Ten per cent of the merchandise is nonconveyable. Personnel only handle cartons and pallets between conveyors and trucks.

Most goods are currently processed from incoming trucks to store-bound trailers in less than 15 hours.

Sheram cites two reasons for the two-year period it took to get the center running smoothly: The four automated systems had never been used together before and at first did not interface. Secondly personnel had to be retrained.

"We went from a totally manual setup of handling merchandise to a totally mechanical one. And, we took the same people who had been used to operating forklifts and taught them to operate these automated systems," Sheram explained.

No longer do snags in any of the four automated systems freeze the entire handling process for hours, as in the center's earlier days. Today, problems occur less often and are repaired by an on-staff maintenance crew in a matter of minutes.

This year production (cartons per man-hour) is up 80% over last year, said Sheram. Merchandise arrives in Richway stores no longer than six days after leaving the vendor's loading docks. Withdrawals from the warehouse portion are delivered to the store a maximum

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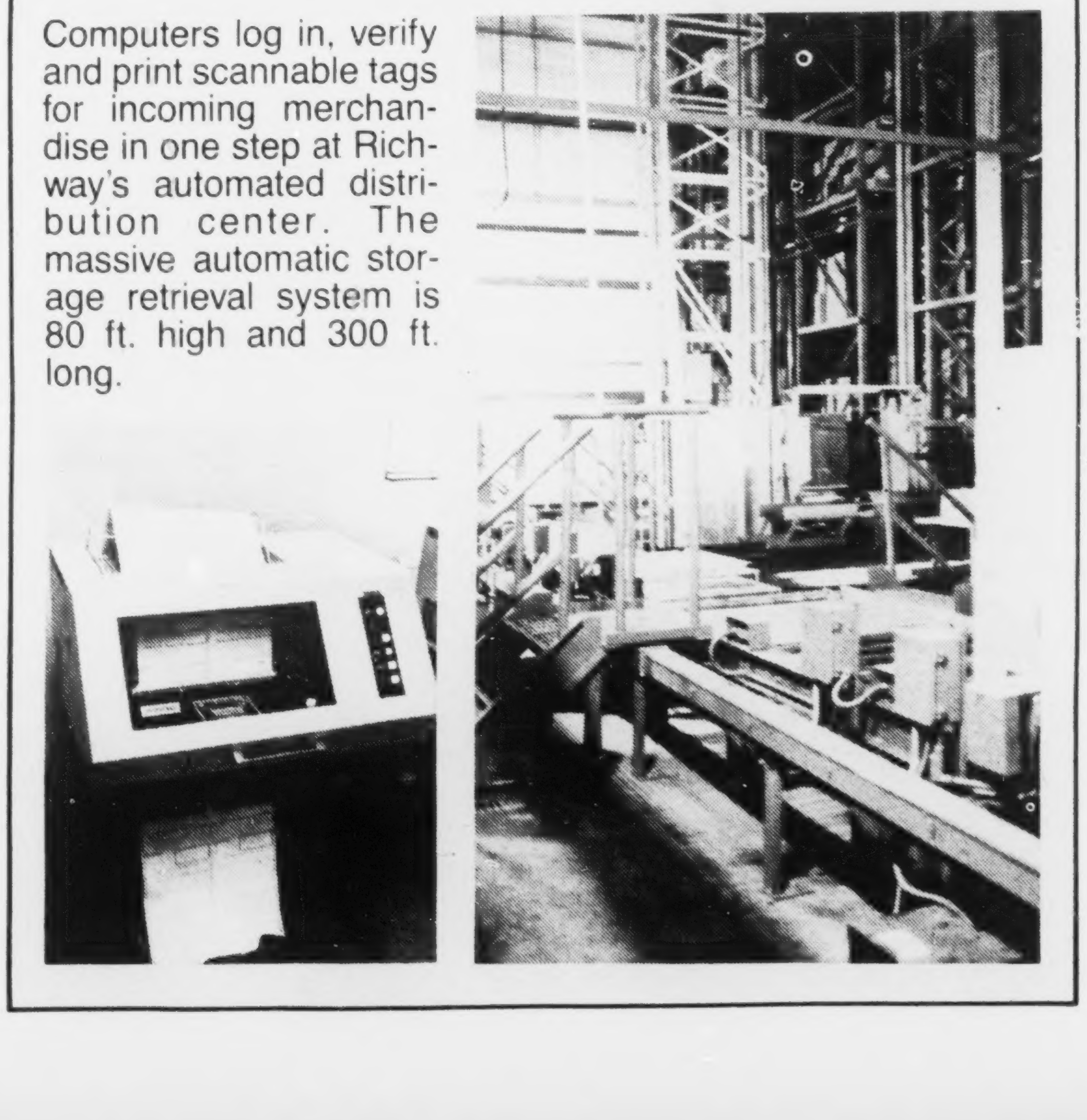


Computers log in, verify and print scannable tags for incoming merchandise in one step at Richway's automated distribution center. The massive automatic storage retrieval system is 80 ft. high and 300 ft. long.

Fishing Gear Buyers Unreel Shopping List

Nationwide DSN Report

With fishing tackle sales increases of 15% to 20% anticipated by discounters this year, buyers headed to the American Fishing Tackle Manufacturers Association (AFTMA) show in Atlanta with long shopping lists.

American Fishing Tackle Manufacturers Association

Among the things they were looking to do: add more name brands in rods and reels; beef up their terminal tackle selection; move into sophisticated accessories like depth finders, and add boating accessories including personal flotation devices (PFD).

Although the show predominantly featured fishing gear, several major camping manufacturers planned to attend, and buyers said they would look to get an early jump on next year's programs.

But, the focus was squarely on fishing, with a strong interest in better-priced combo sets.

(Continued on page 11)

Hardback Best-sellers Get More Tests But Aren't For Everyone

Nationwide DSN Report

Hardcover best-seller book programs are being tested at several discounters, but the category isn't for everyone.

K mart, Target, Venture, Bradlees, Murphy's Mart and Prange Way are among those that have instituted or are in the process of implementing *The New York Times* best-seller programs, discounting titles in some cases up to 35% off the publisher's suggested list price.

Other chains, including Gold Circle, Roses and ALCO, opted to stay away from the hardcovers after tests pointed out several serious pitfalls: substantial inventory investment, tight margins and just a plain lack of strong customer interest.

Also, with the burgeoning of discount book chains, notably Crown Books and smaller regional operations, it has become increasingly difficult to compete with everyday offers of up to 40% off publishers' list prices, according to several buyers.

K mart, for one, is unperturbed by the influx of discount book chains and other various downsides. Sales of hardcover best-sellers have far exceeded the chain's initial sales projections, according to J. W. Goetz, senior buyer.

Controlled Expansion

K mart's hardcover book section features 25 to 28 titles, primarily *The New York Times* best-sellers in fiction and nonfiction, and other selected new releases. Currently in over 400 stores, plans call for a "controlled expansion" of the department to approximately 600 units by year's end.

"We do a complete analysis before we drop it into a remodeled unit. We've found the section has done much better in locations with higher-than-average customer income," said Goetz.

Goetz also noted the department is most successful in K mart's larger units where it is given up to 1,000 sq. ft., as in its Rochester, Mich., prototype. The best-sellers are displayed on one, two or four tables, depending on department size, with titles face out, displaying the full cover and stackouts below. The best-sellers are discounted at least 25%, and sometimes more.

"We meet the competition in all of our trading areas. If it's Crown, we'll discount 35%; if it's someone else, we'll price accordingly," noted Goetz. K mart goes head-to-head with Crown, the nation's largest book discounter, in Los Angeles, Chicago, San Francisco, Houston and in the next few months in Seattle, which Crown has targeted as its newest market entry.

Different Prices

"*Wired*" by Bob Woodward, currently the No. 1 best-seller in nonfiction, sells for $13.45 in K mart's Rochester store. In Los Angeles, however, where Crown has established its market presence, the book retails at $11.67, equal to the Crown discount.

The cutthroat pricing of the book discounters is among the reasons Gold Circle chose to back off from the hardcover category over two years ago when Dayton Hudson's Pickwick Discount Books began testing its concept in Columbus, Ohio. Pickwick discounts best-sellers up to 40%.

Gold Circle tried *The New York Times* program, discounting best-sellers at 10%, and buyer Harry Sutmiller said the comparatively small discount substantiated the chain's lack of enthusiasm for the category.

"We're really not positioned as a book headquarters. Books have been more of a convenience item for our shoppers than a major money making category for us. Even purchasing paperbacks would have to be a totally impulsive buy because we offer no discount off list price," he said.

The chain currently runs full-line paperback book departments, of up to 600 sq. ft., in approximately 25% of its stores.

ALCO has also tested the hardcover route, dedicating 8-12 running feet for "odds and ends" including many specialty items like cookbooks and how-to guides at savings of up to 20%.

"It hasn't been worth it. Hardcover sales have been lukewarm at best and we get a better return on investment with our remainder programs. We're also able to offer discounts of up to 70% with remainders," said David Hayes, buyer for the chain.

Waldenbooks and B. Dalton Experiment With Discounts

Nationwide DSN Report

Full-price book giants Waldenbooks and B. Dalton Bookseller are experimenting with discounter strategies while several smaller chains continue to use bargain programs to fend off the growing ranks of discount booksellers.

In the past year, Waldenbooks, the nation's largest book retailer with 856 units in all 50 states, tested 35%-off discounts on its *The New York Times* best seller program in Los Angeles, Dallas, Denver, Seattle and Portland, Me. This was in direct response to B. Dalton, which ran a similar program in these markets late last year.

A spokesman for Waldenbooks admitted the test was also a reaction to discounter Crown Books, which, in many of the same markets, severely cuts into hardcover sales.

Waldenbooks is now evaluating the results of this test which, like Dalton's, ran during the Christmas selling season.

The book giants are also beginning to refocus their real estate strategies from a strict emphasis on mall locations to a broader scope including freestanding units, strip centers and office complex locations.

Waldenbooks is now testing two other discount strategies: "Walden Recommends," which began this May, discounting by 20% to 30% one selected title each week, and theme sales, with changes every two weeks.

The theme program was initiated with "Bargain Books," featuring selected current titles reduced 20%. Future themes include "Back to School," "Stephen King," "Computer Books" and "Christmas Books," all receiving the same 20% discount.

Dayton Hudson, B. Dalton Bookseller's parent, is using another vehicle—Pickwick Books—to capture its share of the off-price book business, keeping Dalton close to its basic merchandising strategy: being in stock with the deepest selection in the market. Occasionally, Dalton discounts selected hardcover best sellers and paperbacks 25%. For example, in its summer circular the chain discounted a selection of most popular paperbacks at savings of 25%-30% off publisher's list price.

At 11-unit Bookland in south Maine and New Hampshire, best sellers have been discounted for the past three years.

In 1979, Bookland began featuring one title per week at 40% off publisher's list price but got little response. Two years later, the chain instituted its "plus one" program, which offers 25% off all *The New York Times* best sellers with one selected additional title at the same discount.

In the past few weeks, "Buddenbrooks" by Thomas Mann, "Lincoln" by Gore Vidal (before it hit the best-seller list) and a mystery by a local writer were all featured as "plus one" selections.

The south Maine retail scene includes Waldenbooks, B. Dalton, Booksmith's and several independent bookstores, which all, at one time or another, offered discounts of up to 35% on *The New York Times* best sellers. Bookland is the only chain to keep the program intact.

Discounters Shake Up Book Industry

(Continued from page 3)

- No-frills locations. Crown avoids high mall rents, generally locating in strip centers which are often anchored by one of its parents, Thrifty or Dart Drug.
- Prominently displayed remainders. These are stocked in the front of the store and constitute 40% of total sales. Markups here are generally over 100%, which make up for the neglible margins on best sellers.
- Rigid store standardization. Stores are 3,000 sq. ft. with face-out displays, clear signing and overstocks piled on the floor.
- Extensive advertising that bangs away at price. The chain's print motto is "If you paid full price, you didn't buy it at Crown Books."
- Quick distribution. Publishers ship new titles directly to Crown's warehouses in Washington, D.C., Los Angeles, San Francisco, and Chicago.

Critics of Crown say the chain has hurt the book market by focusing on the most popular seller with little regard for longevity and for putting several independent booksellers out of business. Supporters and imitators, however, say Crown has expanded book sales in every new market it has entered by attracting millions of new customers.

One of Crown's most successful imitators, 19-unit Encore Books, has created a stronghold in the major metro Philadelphia market, with projected annual sales between $10 million and $15 million, and 29-year-old president David Schlesinger has no intentions of expanding out of the region.

More Stores

"Sometimes it's easier being a force in just one area, especially when you're working out of your own backyard. A certain regional loyalty evolves. Philadelphia was a drastically underdeveloped market," he said. Encore will open three to four new stores by the end of 1984 and will have 30 3,000-sq.-ft. units in operation by the end of 1985.

Encore made the transition from a pure book closeout house to book discounter in 1980 and remainders are still a very important aspect of the chain's sales. Encore also discounts magazines 10%, contrary to most other chains, which charge full price.

Other discount book chains, although sharing many of the same characteristics, have taken decidedly different marketing approaches in regards to pricing, store size and selection.

At three-unit Bookstop based in Austin, Tex., president Gary Hoover is banking on a little show biz to combat a nine-store Crown presence in Houston.

Hoover is currently remodeling a 1939 movie theater in the heart of downtown Houston that will serve as the chain's showcase store. Many of the original fixtures will stay intact, including stage and screen, and Hoover hopes his 10,000-sq.-ft. store will become an instant star come September.

Hoover strongly believes in changing the rules of the book discounting game. He looks at Toys "R" Us, not Crown, for inspiration.

"We try to offer everyday low prices on a tremendous selection. We carry more than double Crown's titles and over 200 subject categories, which is larger than B. Dalton's," said Hoover. Bookstop units, which will grow to six stores by year's end, larger than the cookie cutter Crown standard of 3,000 sq. ft., range in size from 8,500 sq. ft. to 11,000 sq. ft. The larger stores stock approximately 30,000 titles and are located in strip centers. The company avoids malls, which in Texas are closed on Sunday.

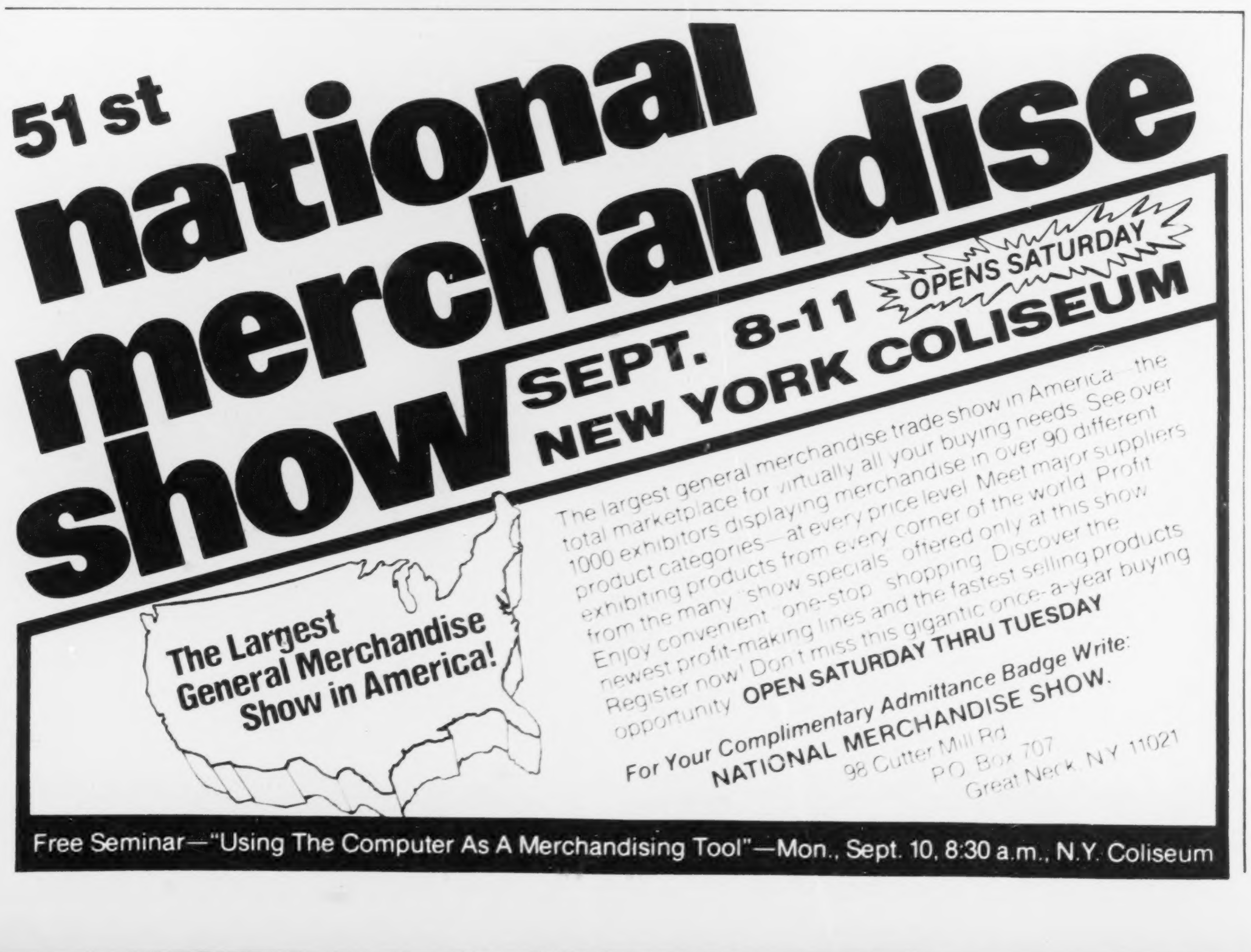
Bookstop's marketing plan is also off the beaten track. The chain issues each shopper a discount card—a library card variation—on first purchases. With each subsequent purchase, the customer's address and title selection is punched into the register. From this the chain develops a mailing list for quarterly newsletters. Zip codes are analyzed for future store planning, and sales trends are tracked.

Strengths Examined

Deep selection and a service orientation are relied on by Bookmania, a five-unit northern California chain that battles head-to-head with a 30-store Crown mass in the San Francisco area.

Bookmania features 15,000 to 35,000 titles in its 2,000 to 7,000-sq.-ft. stores. Its service area offers mail orders, backlisting of older titles plus the standard service desk amenities. Chain president Jean Louis Forcina is dedicated to the fundamental, if old fashioned, approach.

"Discounting is not all it's cracked up to be. It's more important to offer special services and have alert salesmen than plain lowered prices. We're after the hardcore reader rather than the bargain hunter," he said.



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Best Products Completes Revamping of Its Top Brass

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the company in a consulting capacity."

A number of benefits accrue to Best in the revamping of its merchandising administration trade observers said, which would aid the company in retaining its position as the leading cataloger in sales.

In Rubinoff, Best obtains a "superlative merchant," in the words of president and chief operating officer Robert E. R. Huntley.

Beyond directing the buying and merchandising functions for Best, Rubinoff could also give the cataloger an edge in its competition with two other major showroom chains—Service Merchandise and L. Luria & Son—which directly battle the Richmond company.

Prior to joining CD, Rubinoff was a key merchandiser at Service Merchandise, the industry's No. 2 chain. He worked closely with Everett Purdy, considered one of the nation's top catalog executives and now senior vp-merchandising for Nashville-based Service Merchandise. Rubinoff left that firm as vp-hard lines merchandising.

Before joining Service Merchandise, Rubinoff was general manager for Luria when that Miami-based cataloger began a major expansion that has made it the dominant showroom chain in Florida.

Best's growth envisions scaled-down showrooms in the 15,000-sq.-ft. to 30,000-sq.-ft. size range as satellite units in selected markets for its larger units. Three such units are planned for this year, joining the four minis already in operation.

Rubinoff is very familiar with merchandising small showrooms, as CD only operates units in the 10,000-sq.-ft. to 20,000-sq.-ft. range.

Lacy has "significant experience in marketing," Huntley noted. At Best he will be responsible for marketing, including the cataloger's market research operation, along with sales promotion, advertising and catalog publications. Before rejoining Best last year, Lacy had been with the cataloger from 1972 to 1979, serving as assistant vp-marketing and research. In the intervening years he was president of O. G. Wilson, a Texas retailer that runs showroom-type stores but follows an extensive newspaper and flyer advertising program rather than distributing a catalog.

The intensive O. G. Wilson advertising experience will stand Lacy in good stead at Best. Andrew Lewis, Best's chairman and chief executive officer, said the cataloger would be very promotional this year to avoid being out-advertised, a situation that occurred last year and was cited as a key reason for the cataloger's poor sales performance during the holiday fourth quarter.

Heck's Remerchandising Programs Start to Take Hold

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be operational in 115 stores by Oct. 1, call for a 20% paring of slow-selling sku's in hardware, housewares and automotive.

A new 24-ft. pet foods department, and 10%-20% greater footage for ladies' sportswear, hosiery, infants' wear and domestics categories further reflect the chain's move away from excessive reliance on hard goods volume, which accounted for 77.5% of sales in 1983, said Richard Tucker, vp and gmm.

Through 1984's first six months, soft goods' share of total volume—including apparel, domestics and footwear—rose to 27.2%, said Isaacs, who targets a 30% share by fall 1985. Calling soft goods' rapid gain "stronger than we'd expected," he attributed much of it to sales disturbances in hard lines bought about by resetting efforts.

Heck's plans eventually to develop separate private labels for footwear, men's wear and ladies' wear, said Isaacs, largely through its nine-month-old direct importing program. "It's not a priority though," said Tucker. "At this point, it's not for a fashion or image thrust, but we'd need a label because we're the importer of record."

Heck's apparel efforts include the layering on of "some higher price points, though nothing dramatic," said Isaacs, who expects the department to gain two extra margin points by the end of next year.

Roughly 35% of the chain's direct imports are in apparel, said Tucker, with goods ordered in the Orient last January arriving on time at summer's start.

Imports are injecting Heck's mix with hard and soft goods at sharper price points. Through the first half of 1984, Heck's spent $22 million of its annual $45 million open-to-buy for direct imports on categories that also include consumer electronics, toys, sporting goods, some automotive, hardware and home furnishings in their appropriate shares of store volume, he added.

Imported microwave ovens and 19-in. color televisions, priced under $400 every day and $300 on promotion, are being added to Heck's continuing assortments, Isaacs said.

Heck's aims to have direct imports account for about 10% of chain volume, with an emphasis on individual items that generate vast volume such as aluminum-framed multiposition loungers and flannel shirts, said Tucker.

Overall, Heck's has pared its sku's per store from 40,000 last fall to 37,000 currently, as it moves to 33,500 by 1985. "There's no reason we can't achieve a 20% decrease in inventory dollar investment chainwide," said Isaacs.

Volume Is High, Also Costs in NBO's Invasion of NYC

(Continued from page 1)

unit are already keeping pace with the $7 million annual volume of the chain's top-volume store in Paramus, N.J., said president Gene Kosack. The average NBO unit runs just over half of that projection—$3.8 million a year.

On the more negative side, occupancy costs for the West Side location run 4% of sales vs. 2.5% of sales for other units. The company spent the most ever—$22 per square foot—to dress up the store with woodslat and Plexiglas fixtures, hunter green floor tiles and walls, carpeting and partially mirrored columns. Building a staircase from the street level to the basement shopping level was an additional cost which proved higher than first estimated, Kosack admits.

Advertising costs are also higher than usual for the new suburban store. In addition to ads on television and radio, the chain is looking to attract shoppers from the affluent East Side with print ads in *New York Magazine* and *The New York Times*.

The concentration of sales on weekends and evenings at the Manhattan store coupled with the higher-than-expected operating costs have prompted NBO's management to put previous plans to open a second unit in the Wall Street financial district on hold, said operations vp Ben Gross, who searched for five years before picking the New York location.

Proof that NBO management isn't completely sold on inner city locations is in the chain's long-term plans to stick to suburban communities as it expands to 35 stores by the end of 1987.

In October, for instance, the chain will move into the Washington, D.C. market—but with a suburban Maryland unit.

In the Washington market the chain will repeat part of the formula tried in New York. The presentation will follow what Kosack calls fourth generation, with the more upscale presentation. The chain will once again add the 10% of merchandise geared for the more sophisticated tastes of urban office workers—more dress shirts, ties and high-end suits.

Back in New York, the conservatively outfitted store front displays make NBO appear a bit out of place at its Broadway location. The store is sandwiched between a flashy new Tower Video store—the Los Angeles-based record chain's flagship effort—and a soon-to-open Tower Records store. Across the street are several trendy restaurants with chic sidewalk cafes.

Inside the NBO store, half of the first floor houses dress shirts in Plexiglas bins, plus basic underwear, ties and belts. Toward the back of the store more casual styles, Members Only jackets, solid-colored designer pants and knit vests and rugby-type shirts are housed. Name brands discounted by 10% to over 40% include Christian Dior, Pierre Cardin, Fila (not newest styles), Pierre Balmain and Jhane Barnes.

The lower level of the store is devoted to higher-ticket suits by Evan Picone and Botany 500, raincoats, sports jackets, Members Only leather jackets and dress slacks.

Currently private label dress shirts and suits account for 10% to 12% of the business. Overruns and closeouts account for about 10% of the assortment, said Kosack, who in midsummer was about to visit England to shop for Shetland sweaters for fall '85.

This fall's expansion of NBO into the Washington, D.C. market is only the beginning of the chain's expansion into new markets. A total of 21 new NBO stores are slated to open around the country over the next two and a half years.

Half of the chain's expansion costs will be paid by the Toronto-based Dylex Co., which recently bought 50% of the chain's stock. Kosack described Dylex as a holding company which will be a financial and advisory partner to NBO. The Canadian-based owner of some 11 companies, including retailers, will not influence merchandising philosophy, he added.

Richway 'Masters' Its Automated DC

(Continued from page 3)

of three days after the buyer issues a transfer.

"Now that we have mastered the system, buyers can make distribution decisions at the last minute," Sheram explained. Ideally, buyers place chainwide orders with the vendor and allocate individual store quantities after the goods are en route to the DC. Individual store allocations made later are considered more accurate because they are based on more recent sales information.

Chain buyers, however, reportedly still make the majority of the store allocation decisions at the same time purchase orders are placed with the vendors. Many even over-order to offset expectedly late deliveries.

Buyers can now place orders with the vendors closer in, because of the speediness of the automated DC, Sheram said.

He and his staff still have to convince the buyers that their system can support shorter lead times. If buyers do start to order closer in, Richway will be able to reduce stock levels and keep inventory dollars in those items that sell fastest, Sheram explained.

The more specific goal at the distribution and traffic department is to get truck deliveries to each store daily—even at the most remote of the six southern Florida stores some 800 miles away—at a justifiable cost.

At present all the stores outside Florida receive shipments four days out of five, Sheram said. Only three of the six Florida stores are on the same schedule.

The trucks used for deliveries are all contracted, rather than company owned. Cost-effectiveness parameters require that only full loads leave the DC.

Next year, when the chain has five more stores in Florida the trucks headed southward should fill up more quickly and subsequently deliver to those stores more often.

The automated distribution center helps position Richway for further expansion after next year, because the cost of handling increased goods will be nominal in relation to the increased volume, Sheram explained.

At presstime the distribution center employed some 200 people including 90 full-timers.

ClubMart Is Open-Door

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within ClubMart.

Despite the new open-door format, ClubMart has retained its gold membership card, but modified its use. It still costs $35 annually, but holders now get a 5% discount off the store's new higher prices.

Previously, gold card holders bought goods at the listed price, which was supposed to be the wholesale cost under ClubMart's original concept. Holders of the now discontinued green cards—which were distributed free—had to pay 10% above the tagged price.

Vincent had indicated that ClubMart's prices were too low under its original format. Ferkauf had projected the store would be profitable at an overall 10% gross margin, but the figure only hit 7.5% in its first six months of operation.

Vincent said ClubMart has adjusted its prices—reportedly to achieve gross margins of 20%-30%—and was still "very price competitive."

The switch to an open-door policy, along with the decision to trim the staff, motivated Ferkauf to leave ClubMart. He conceived the original ClubMart concept and helped to develop the company about two years ago; it went public in May 1983, seven months before it actually opened.

Vincent has asserted that the closed-door concept was "a negative marketing approach," and the distribution of gold and green membership cards didn't result in holders shopping ClubMart.

PL Strongly Impacts Shopper Loyalty

(Continued from page 2)

are also effective; 58% of those surveyed regard store brands to be "as well-packaged" as the majors, the study said.

Overall, 86% of shoppers agreed that private label costs less than national brands; 50% that they perform as well; 48% that they represent a better value and 42% that quality is comparable, the survey said.

Once hooked on private label, consumers tend to be loyal repeat purchasers—even more so than fans of national brands. The study said 80% of those surveyed "who last bought a store-brand item usually buy the store brand," compared with 62% of national brand shoppers who "would stick to the national brand next time."

Surprisingly, many shoppers transferred their positive feelings about private label to the retailers who carry broad assortments of it. Some 62% felt such stores "offer better value," and 46% believed "the stores care more," the survey said.